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FAR EASTERN ECONOMIC REVIEW

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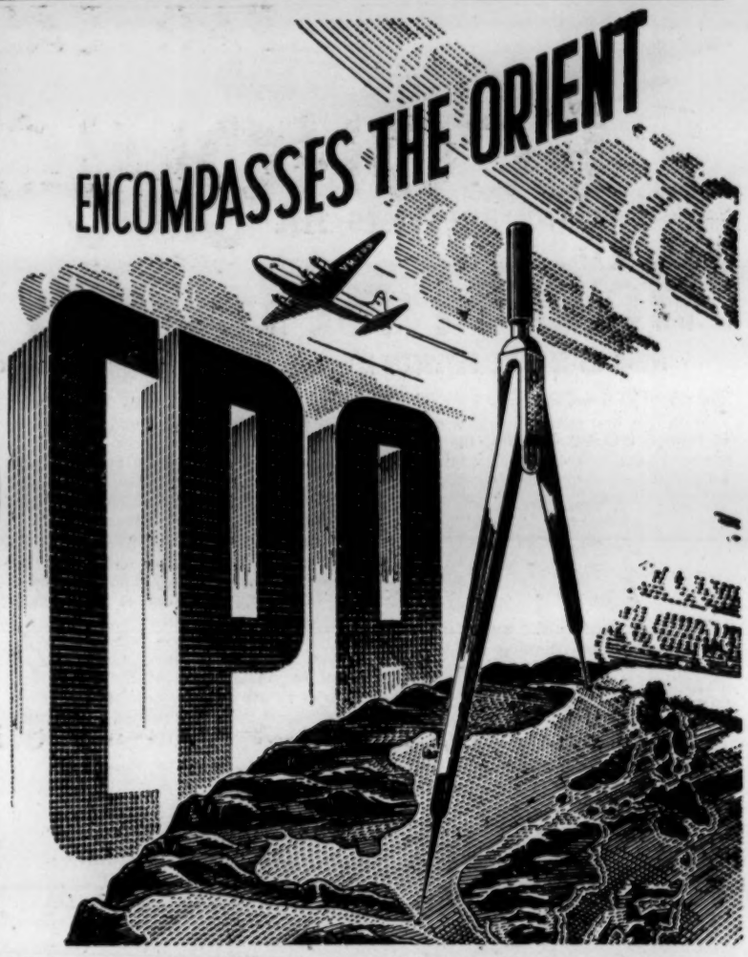

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FAR EASTERN
ECONOMIC REVIEW

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MECHANISM OF BRITISH TRADE WITH CHINA

British trade with China and within China has been so basic a factor in China's relations with the outside world for a century that any drastic change in which it is concerned has certain spectacular qualities. But the impact of the latest move has been greater than it should have been because of misapprehension which was in some instances the result of misrepresentation. The proposed substitution of a small group of representatives for the elaborate organisation restored after the war—and for so long quite superfluous—does not make history. Rather does it sum up the sad and lamentable history that has been made. Nor can it yet be said to be the beginning of a new chapter of destiny, though clearly it is the end of a very old and proud one. The gesture acknowledges that the Treaty Port and all that it has meant has now verily passed away. The new mechanism suggested to replace it is simpler, far more economical, and more attuned to the vast upheaval which has engulfed the old structure.

It does not mean the end of British trade. That depends on a variety of circumstances outside the scope of mere mechanisms. The British Note to Peking is not a political gesture and it is not designed to have political consequences. All the dramatisation of it in this sense in certain quarters is misplaced. Only one thing is more ridiculous than to describe the action as "the most inglorious episode" in the diplomatic and economic history of Britain—and that is to interpret a sane and calculated business move as "a step nearer war."

It is true that the events the British gesture recognises are spectacular. But they are not sudden—rather an accumulation of monumental happenings the like of which have not been seen for two thousand years. It all began long ago, though the tempo and range have been immensely increased lately. We have seen the corrosion of the traditional structure of China's foreign trade—and, what is much more of her ancient civilisation—within the past two decades. It is not necessary to go farther back than the Mukden Incident of 1931, and the State controls and monopolies that followed in Manchuria and inside China Proper, to find the obvious genesis of this step.

The withdrawal to the Treaty Ports, and in some cases actually from the Treaty Ports, began then and has been continuing ever since. The Treaty Ports themselves ceased either to be the sally ports they were, or the havens they temporarily became again from the storms outside, when the Japanese took over after 1937. The revival after the war was merely a sort of Indian summer. This the so-called "liberation" very soon made manifest, and to none more than to the merchant in Hongkong who so suddenly found himself taking over the role that had formerly been played by the greatest of all the Treaty Ports.

The bigger British firms have always been distinguished for their acumen and realism. They have never lacked an ability to read the trend of the times or the courage to adapt their outlook accordingly. Certain changes and modifications have occurred since the Communists took over, and more had been under consideration for some time. They were awaiting the right opportunity. Then the Communists themselves organised the remarkable

"trade conference" in Moscow, and some of their number made it clear they disliked the old forms and channels. The group of big British firms whose best brains have been debating the question for some time immediately pressed the Government for suitable action.

As the Foreign Secretary pointed out, there were many and severe disabilities which made a much more simplified organism not merely consistent with changes within China but essential for the plainest reasons of economy and self-protection. It is hardly necessary to detail the circumstances in which the rapidly diminishing band of British traders found themselves—the increasing restrictions on entry and exit of staff members, the arbitrary taxation demands, the compulsion to retain for an indeterminate period huge native staffs, and the taking over by the State, in great fits and starts, of the whole processes of trade and finance.

It must not be supposed that all trade within China had stopped, except in the periods when the cohorts of proletarian battle went on the rampage. There are examples in which a single representative and a clerk did as much business as a whole lot of people used to occupy their time in doing. But it was wholly obvious that it would be far better for everybody to have a relatively small central organisation which could maintain contacts where they were necessary, and fulfil the purpose of doing trade with China which had become, just as obviously, the successors to trade within China.

Much has been made, too, of the value of the properties involved, and a picture has been conjured up of a vast scuttle of almost everybody & everything, with Chinese officials rushing in to take over all the vacated premises, rubbing their hands with glee and refusing "compensation." Here again the picture is overdrawn to the point of caricature. Most of the foreign properties taken over by the Chinese, sometimes by State enterprises and sometimes by private concerns, are on lease, and at reasonable rentals. As an alternative to fair purchase, it seems as obvious a solution in the present case as it was in the past. Whatever enterprise takes them over for use would be charged rent and taxes—even if it be a State organisation. But at least the lease terms would take care of a great deal of taxation which at present entails, together with the payment of huge and quite unnecessary staffs, a continuous and insupportable financial drain on resources outside China.

In short, the trade organisation would be streamlined to bare needs and much more to the liking of a regime which is obviously determined to transform the entire economic machine in the general direction of Socialist concepts. Whether the People's Government will agree to this move remains to be seen. But the offer has been made and the responsibility for what happens next will belong to the Chinese authorities. The major trouble at the moment is not that they want less trade but more—but of the type at present interdicted by bans and controls owing to the Korean conflict.

There is no indication that the Chinese wish to cut off trade in raw products and other goods, but the so-called "offers" at Moscow were linked in rather a different form from the old barter link to which the Japanese required foreign firms to conform during their occupation. Since the industrialisation plan emphasises national defence, it is obvious that satellite trade will have a preference that formerly—and naturally—belonged to the seaborne trade of the Western world. But it may have been noted that the new National Committee for the Promotion of Trade includes East China in its membership but does not include the Chungnan (Central-South) Administrative Area. The assumption is that the new central body will be mostly concerned with the trade in strategic materials with the satellite countries, and that the Chungnan economic area, with Hankow and Canton as their major centres, will concentrate on the exchange of goods through Hongkong.

The Chinese can hardly wish to blockade themselves, and almost certainly wish to keep the door to Hongkong open. Indeed, this has become more necessary than ever. Nothing has happened to invalidate the mutual advantages of the trade which has been going on—true in diminished measure, in spite of the bans and controls—or to blunt the argument for a considerable exchange of goods with Japan, for which this port would have certain advantages of which other ports are now, for various reasons, deprived. It has been said, indeed, that Hongkong will now assume greater importance than ever, as happened when Shanghai ceased to be a trading port two years ago. If trade does go on at all, and is not stopped altogether by outright war, this outlook ought to be vindicated in the event. Certainly those who assume that the withdrawal of the staffs of British firms would also involve the termination of the shipping services between Hongkong and Tientsin rush far ahead of events.

The machinery suggested for British trade with China is a better choice than the method adopted in Moscow. Nothing could be less businesslike than this "political platform" plus propaganda system which produces no detailed contracts or in fact anything tangible at all. And Hongkong, with its well-stocked warehouses and its unequalled facilities to buy, sell, finance, ship, and store all the goods that are within the fairly considerable range of authorised trade, offers still greater inducements. Moscow may be all very well for staging stunts, but not for the actual buying and selling of goods. That is in fact the one way to destroy trade—not to promote it. And it seems pretty obvious that if the new body to handle British trade does come into existence, it will look to Hongkong and the facilities here to do most of the work in implementing any business it is able to do.

NEWS & VIEWS

For a United British Overseas Service

The suggestion by the current issue of the New Commonwealth for the creation of a united British Overseas Service to give special assistance for political and economic development in the overseas territories deserves special consideration. It follows the principle in which the Colombo Plan was conceived and the proposal can certainly help to advance a closer link in the economic and trade development among the Commonwealth countries as advocated recently by Lord Balfour of Inchrye, chairman of the Empire Industries Association. To give the required assistance in the field of industrial administration and technology in some of the less advanced countries, the New Commonwealth suggests the foundation of a British Technical Service, which could be organized by such a body as the Federation of British Industries. Qualified experts could also be drawn from all parts of the United Kingdom. Where there is a surplus of trained personnel, such as the case of Hongkong, gainful employments could be provided in regions where knowledge of technology would be put into valuable use.

MacDonald's View on Southeast Asia

Communists are gradually losing ground in Southeast Asia during the past year, according to Mr. Malcolm MacDonald, United Kingdom Commissioner General for Southeast Asia, who has recently visited Hongkong. The people in Burma, Siam, Malaya, Indochina and Indonesia are opposed to Communist principles and practices. There is only an extremely small but very fanatical Communist minority which is stirring up trouble in Southeast Asia by adopting violence and openly subversive tactics. But they are politically weak and have no prospects of coming into power by their own efforts unless they receive substantial assistance from outside. MacDonald also refuted Communist charges that 500,000 Chinese in Malaya have been languishing in concentration camps during the past years. He stated that these Chinese were actually squatters who have been since resettled in one of the largest and most successful resettlement plans achieved in Asia in recent years. They have elections for the village council, schools, medical facilities and other public services as well as their own titled lands to farm on. The villagers have complete freedom of movement and they are protected from night-raiding Communist terrorists by barbed wire fences around them.

Japan-China Trade

Peking's offer of revival of trade between mainland China and Japan, provided the Japanese abandon rearmament, is another attempt to lure Japan out of the Western camp. Trade with China is a tempting offer to a nation which has to live on trading. Barter deals worth £100,000,000 a year between Communist China and Japan were recommended by a group of Japanese politicians and business men who have long been pushing for closer trade relations between Japan and China mainland. The trade scheme, which is now being recommended to both the Tokyo and Peking authorities, covers fifty items each for import and export, including iron ore, anthracite coal, soya beans, peanuts and slat from China and steel sheets, ships, locomotives, spinning machinery, agricultural implements, electric bulbs, bicycles, sewing machines and other goods from Japan. Negotiations have already been conducted by the Japan Association of Oil and Fat Manufacturers to secure Manchurian soya beans by barter against Japanese steel goods from the Japan Iron and Steel Manufacturers Federation. At the recent Moscow Trade Conference, Professor Tomi Kora and a number of Japanese industrialists explored possibilities of Sino-Japanese trade with Nan Han-chen, President of the People's Bank of China. Though Professor Kora warned against unwarranted optimism, this group of planners recently met under the auspices of the "Japan-China Friendship Association" and sent a telegraphic message to Nan Han-chen to seek his good offices for the trade project. Some ease on Japanese export restrictions is anticipated.

Japanese Daily on Withdrawal of British Firms from China

The influential Mainichi saw in the withdrawal of British firms from China a hint that Japan must reorient her policy toward Communist China. "We must note, however, that these firms still intend to trade with Red China from outside the territories. This is making a clear distinction between abandonment of vested interests and engaging in trade. It offers us something to think about. It shows how wrong it is to think on trade with China in prewar terms. Our trade with her on the basis of full recognition of the realities of the Chinese mainland must be thoroughly studied."

Japan-Hongkong Relations

The Japanese Government will soon open its consulate in Hongkong and it will be headed by a consul-general with a minister's status according to Mr. Taketora Ogata, who was the first high ranking Japanese official to visit Hongkong after the war. Hongkong will be one of the most important diplomatic posts and will serve as a listening and contact-making centre. A joint Chinese-Japanese Bank, to be backed by Japanese bankers and Chinese business men of Hongkong, will also be established here, announced Mr. Katsuhiko Hamaguchi, Governor of Bank of Japan.

TRADING WITH CHINA—A NEW APPROACH

By Mercator

The nation-wide anti-corruption drive in China which was referred to in my previous article (Far Eastern Economic Review, May 8th) has entered its epilogue and will soon be over. The general speculation among the local mercantile community is that with the conclusion of this drive, trade between Hongkong and China will be "re-vitalised". Undue optimism over future prospects is of course undesirable as trading relations between the two territories are regulated not only by the simple factor of demand versus supply but by some other factors which are, in many instances, beyond the control of this Colony. On the other hand there is every reason to expect that in the foreseeable future the monthly value of Sino-Hongkong trade will be increased from the present disappointing level of $68 million (March) to a more reasonable and satisfactory level, or at least to the pre-anti-corruption drive level of $168 million (December, 1951). It must be appreciated, however, that while the volume of trade between the two places may rise and fall, the basis upon which Hongkong will trade with China is not likely to be the same as it was before and that the change of circumstances requires some realistic understanding on the part of local traders.

In the past trading with China was a comparatively "easy" matter. It was a seller's market and until the im-

position of the American embargo, there were no restrictions or controls. However, the world situation is such nowadays that for all practical purposes we have to accept, though not without pain, that controls and restrictions will of necessity become part of our economic daily life. In so far as trade with China is concerned, the future will be a buyer's market and it would be wise for local traders to find out from their prospective customers the exact variety and volume of goods wanted before placing orders with the manufacturers or their export agents. The present large accumulation of goods in the local godowns without any prospect of getting buyers for them is due partly to the introduction of import-export controls by the local government but the traders themselves are not without fault. These goods were ordered not because there were ready buyers for them but on some superficial assumption that they would be wanted at all cost. Wishful thinking sometimes leads to very disastrous results. In their future trading with China local traders should try to be more practical and realistic and make better efforts to acquaint themselves with conditions in China and the manner in which she prefers to trade with the outside world.

A new feature in China's future trading relations with the outside world is that her foreign trade will be controlled by the State and, instead of dealing with private business firms, local traders would have to deal with Government agencies. Moreover, purchases by these agencies will be made not by individual arrangements but through a central body such as the Ministry of Trade's Central Purchasing Commission which is organised on modern basis, operated by experienced staff and kept well informed of world market quotations. It can also be expected that purchases will be made strictly according to an approved "shopping list" compiled by a high-level authority such as the Cabinet Financial and Economic Committee. As China will head for full-scale industrialisation after completion of her land reform programmes, such items as rolling stocks, heavy machinery, factory equipment and industrial raw materials will have priority over consumer goods on the shopping list.

Like other Eastern European countries, China will prefer to trade with the outside world on barter basis whenever this can be arranged. For all her purchases she will pay not in currency but in goods, principally native produce such as bristles, tung oil, antimony and soy bean. This means that besides obtaining the required imports for her, local traders are also expected to find markets for the Chinese exports. To fulfil this dual responsibility calls for world-wide connections and large capital and there will be no room for small trader, with less facilities and without the necessary financial resources. An ideal organisation to handle such a two-way trade would be a syndicate of manufacturers and overseas buyers. There is also the likelihood of China's foreign trade being eventually developed into a kind of direct transaction with trade missions of the countries concerned.

The willingness of China to trade with the outside world is not doubted and this may be evidenced by the statement of Nan Han-chen, Governor of the People's Bank of China and leader of the Chinese delegation to the Moscow International Economic Conference, when he told the Moscow gathering that "China is prepared to trade with any country upon the basis of equity and mutual benefit." "Such trade," he added, "should not be prejudiced by difference of belief, political system and economic structure of the country concerned." What is doubted, however, is whether China will trade with the outside world purely on business basis and not with political intentions.

HONGKONG COMMERCIAL SCENE

By E. A. Thompson

Some slight signs of improvement in the Hongkong Commodity market have for some time been apparent but recovery is necessarily slow in view of the heavy stocks held. Exporters to Taiwan and Korea are tying with the mainland buyers in Hongkong's present gigantic bargain sale and provide an essential factor in any transaction—as far as the seller is concerned—an alternative buyer. Current trading is almost universally entailing the seller in severe losses—or at best a very narrow margin of profit that hardly compensates for the capital involved. Although the mainland buyers have not a monopoly of price depressing tactics it would be hard today to find a customer with more tricks up his sleeve. Every conceivable ruse is being employed to force prices down and to unstabilize the market. Before the five anti's campaign a merchant could more or less choose his customer but there are not so many buyers today. A few familiar faces are to be seen around but many of the oldest and biggest mainland traders have been crushed in the latest offensive against the merchant classes and are to be seen no more in their old haunts. With the old school, merchants knew where they stood. A verbal agreement was infinitely better than a contract for there was mutual trust. Things were to a great extent done on a friendly basis. A sale could be effected through a telephone call or a chat in the teahouse and was more or less simply a matter of exchanging a cheque for a delivery order. Any subsequent disagreement was settled quietly and amicably. For buyer or seller to back up a claim with his contract was considered to be a severance of friendship—and meant the loss of a client.

The new buyers however are intent on observance of the letter of the law and transactions are being carried out with a grim faced solemnity and singleness of purpose that adds to the discomfiture of those parting with goods at a loss. An old ruse, as effective as ever but taking on a new lease of life in recent weeks is that of flooding the market with incorrect information before making a purchase.

X requires a ton of Iodine crystals nominally quoted by stockholders at $10 per pound. It cost $20 when bought by Y a year ago so he faces a loss of 50% anyway. Suddenly confronted by a flood of selling offers at $9.50 (originating from X) Y reduces his own price accordingly. X still does not buy. The market is next alive with rumours that s.s. ". . . ." is due to arrive shortly and is carrying ten tons of Iodine. Thoroughly alarmed, Y again reduces his price to HK$9.00. Finally, after X has pointed out that he wants goods of BP standard (Y's stock is USP) packed in 100 lb. jars (Y's goods are in 50 lb. drums) the Iodine finally changes hands at $8.50. Y is lucky if the matter ends there. He can expect with confidence a subsequent claim for compensation for short weight, poor colour of the Iodine or depreciation in quality.

Showing least sign of recovery is the once thriving Paper market. Exporters to Taiwan and Korea are absorbing small lots from time to time but these purchases are making little impression on the huge stocks held. Mainland buyers are ready and waiting to snap up certain items at well below market prices but manifest no symptoms of their old prodigious appetite for newsprint and other popular items.

Stocks of newsprint in the Colony have been unofficially

estimated at between five and seven hundred million dollars but the actual figure may well be nearer nine. In one godown alone there lies two thousand tons of Norwegian newsprint and seven hundred tons of printing paper.

The Hongkong merchants' recent circular letter to Paper producers in Europe pleading for maintenance of indent prices had some little effect for a while but a firm bid today will secure goods at far below acknowledged indent prices. Manufacturers who specialized in the Far East Trade are becoming increasingly anxious as stocks pile up in their warehouses. The gigantic output of these mills, geared to meet a once insatiable demand, is searching for alternative outlets.

World demand becomes greater every year but many countries, of which England is a notable inclusion, have fixed prices for newsprint and for this reason receive fixed allocations. These sales are bread and butter earnings for the big mills the cream being sales at inflated prices to transhipment centres such as Hongkong.

It seems certain that supplies from the West will eventually reach China by devious other channels if direct trade with Eastern European countries is continued and the exclusion of Hongkong merchants from this lucrative business is, as suspected, an actual aim of the People's Government.

An instance of political prejudice in paper buying was seen recently when the agent of a South Korean merchant negotiating here for newsprint, was offered some Czechoslovakian goods. The offer—a good one so far as price and quality were concerned—was refused. Reason given was that an Import Licence would not be granted by the Korean authorities for "Red cargo".

In a state of complete and utter stagnation today is an erstwhile popular item—knitting wool—although significantly, wool tops are beginning to show some slight signs of recovery. Stocks of one of the best known knitting wools alone are estimated to be in the vicinity of 100,000 lbs. a great deal of which cost the dealers $21 per pound. When the goods were still unshipped the market price in Hongkong dropped to $17 and to even things up a bit the agents agreed to sell the unhappy dealers a further lot at only $15—a move calculated to lower the average price. Unfortunately the price of knitting wool continued to fall and when the goods arrived stood at $12. Many dealers have still to take delivery and more than forty percent of the goods are still in possession of the importers. The winter months may see some improvement in the situation but it is doubtful while there is still a great amount of capital tied up in wool tops.

INTRODUCTION TO THE ECONOMIC HISTORY OF CHINA

By Prof. E. Stuart Kirby

III. THE DEEP ROOTS OF CHINESE MARXISM

It may be asserted that, in the field of intellectual endeavour, the fate of China was decided—as between Communism and Nationalism—not just recently, but about twenty years ago. It was in the early 1930's that Kuomintang Nationalism failed, in the judgement of educated and active Chinese, to give ideological satisfaction or mental stimulation. From that time, its fall was only deferred by increasing the strictness of its political "tutelage"; and by the circumstances of the Japanese aggression, which brought about a national rally and some efforts at internal peace. Meanwhile, the opposing, Marxist, party was thoroughly and systematically working, not only to gain organisational control in every political and social field, but also to cultivate the impression that it could supply the intellectual and cultural deficiency, that it could offer a full, satisfactory and progressive explanation of Chinese Society and its prospects.

It is precisely the study of this field of Chinese history, into which we are now enquiring, that Chinese Communism used as a chief means to its end, on the intellectual and educational plane. Here it was able to establish its own interpretations and conceptions, almost in vacuo, largely by default of effective opposition. The Nationalist Government paid little attention in the early period of the 1930's to historical and theoretical work, even at times when it had the sharpest eye for "dangerous thoughts" in present-day or practical matters. Meanwhile Chinese Marxism built itself up, to a large extent, in such domains as archaeology, ethnology, philology and other fields of antiquarian study and research. In this field it secured the active or passive support of a large and increasing portion of the educated middle classes. From these classes were furnished the membership of those student movements, and the like, which are still today the source of the Communist "cadres", far more than are the "proletariat" or the peasantry.

Similar use was made of new literary movements—the pai hua cult (of writing in the everyday language) in general, and of such writers as Lu Hsun. The latter is now treated with veneration—though others who played a great part at the time were subsequently "liquidated." An outstanding figure was the "Trotskyist" Chen Tu-hsiu. The Nationalist Government, strict as it was against any ordinary subversive propaganda on the level of popular journalism, street-corner meetings, etc., dealt at first with comparative leniency, or seeming indifference, with these academic and cultural movements. Later (by the end of the 1930's) they became the fiercest centres of rebellion and disruption, and were repressed accordingly. But by that time the Marxist cadres had been widely built up, among the "petty bourgeois" and "intelligentsia" classes. And—what may be no less important—in such fields as history and social philosophy, Chinese intellectual life had by that time been deeply and persistently imbued with the underlying Marxist spirit, and thoroughly habituated to Marxist standards of material, treatment and phraseology.

The deeper roots of Chinese Marxism are really here. As one able reporter (1) has rightly stressed, specific agitations (such as land reform, anti-foreignism, etc.) are ephemeral and transitory, compared to the sustained process of "brain-washing", which means lasting and complete indoctrination. Here we are concerned, however, with a preliminary stage of this process, and with one field of thought which was especially utilised for it—the study of economic history. It was suggested in the previous chapter that the first progress of Marxism, in that field as in others, was partly ascribable to disillusionment, or the default of other doctrines. Most of the present leaders of Marxist thought in China began, it was noted, in the period 1927-33 as exponents of the attempt to distinguish a specifically or characteristically "Chinese" society and culture; mostly they failed, and in the next decade turned to Marxism. Outstanding examples must be Kuo Mo-jo and Tao Hsi-sheng, mentioned in that connection in the last chapter. The former is now popularly described as the "Cultural Premier" of China, and his position has been compared to that of Lunacharsky, Russia's first Commissar for Culture in the early 1920's (though his methods are not the same). A great

number of lesser men followed the same evolution, more or less intensely, and to a greater or lesser extent. A very great number of "fellow travellers" joined them temporarily, usually dropping off after one or more stages of the journey.

It is possible that few movements in China gained a greater number of effective adherents, and likely that none gained so many from among men of superior intellectual ability, as the "Chinese History Controversy" of the 1930's, calling for a full study and reformulation of the historical "personality" of the Chinese nation, and its social and cultural identity. This led swiftly to the denial of any "separateness" or abnormality in the case of China, and the identification of China's recent situation with the earlier stages of Near Eastern and European development. From this it was a short step to clamour for progress towards the later stages, along the scale dogmatically postulated. Another short step was allegiance (or at least lack of intellectual opposition) to the party which claimed that it alone had a "scientific" understanding of these predetermined stages, and that it alone had a "practical" way of reaching them. The whole process is conveniently surveyed in the pages of a Chinese periodical "The Ancient History Dispute" (2) which spans the whole period in question (Vols. 1—7, 1926-41). This was the work of Ku Chieh-kang and his school, who are also responsible for the very useful and stimulating magazine "Tribute of Yu" (half-yearly vols. 1—7, 1934-37). This is an independent source, which, alongside the "Shih Huo", is a necessity to every specialist in this subject (3).

The following features may be especially remarked:

(a) The weakness of nationalistic attempts to identify Chinese civilisation as "separate" from world-civilisation in general, or as a "type" of its own. These attempts could in any case appeal only to the more parochially-minded elements of the population (e.g. rural landowners) and hardly at all to unprivileged business classes, the struggling peasants, or the urbanised "proletariat." In this, the "united front" of the last three is already foreshadowed.

(b) Nationalistic cults departed also from the profoundly humane and humanistic content of the older Chinese traditions. The Kuomintang increasingly stressed institutions and institutional powers. The climax of this tendency is said to have been reached in Generalissimo Chiang Kai-shek's book "China's Destiny", 1941, which deals almost entirely in "power-political" or authoritarian terms; and in the "New Life" movement, which seemed a far call from the liberal and cosmopolitan evolutionism of Sun Yat Sen. Humanistic thought, and humanitarian impulses, were diverted into the oppositionist theories of the class struggle.

(c) The main need of China was then (as indeed it still is now) the development of business—the opening-up of nation-wide markets and investment and the improvement of foreign trade. The Nationalist regime—and wartime circumstances—blocked and restricted the development of business, traffic and trade, in all the middle and lower ranges of commerce and industry, while promoting monopolistic privileges for certain inner coteries of entrepreneur-politicians. This was a very strong, though underlying, factor. It may still be so today, when further thwarting of the business impetus could be just as dangerous to the regime as its diversion to warlike and wasteful purposes. Attention was focussed on the institutional and political obstacles to capitalistic development in China, and on the "defects" of character or temperament which prevented China from attaining such development as Europe had accomplished. The conviction grew that China had every inherent possibility of comparable development, but merely stood belatedly on the lower slopes of the same ascent, the climbing of which was opposed and thwarted by the regime in China, and by foreign interests.

(d) German sociological and historical theories appealed particularly, in this situation. They were authoritative in their style of presentation, and comprehensive in their pretentions. These qualities were much more to the Chinese mind, and in line with collective traditions such as their family and clan systems, than liberalism, or pragmatism, or Anglo-Saxon individualism, or French logic, or other available attitudes. Thus Chinese thought grew more and more along the lines of development which may be marked by such names as Weber, Sombart and Marx-Engels.

(e) From the technical point of view of historical explanation, the Marxist school of thought gained greatly also, because it did play the greatest part in presenting one of the most telling ideas, which probably did more than any other to clarify contemporary understanding of the early history of China. No other School, as it happened, made any such distinctive and useful contribution in this period. The contribution in question is the attribution of special importance to the problems of irrigation. The thesis is that from the social and political points of view, the needs of flood control and the like imposed on China, from the earliest times, a disciplined form of collectivism, with compulsory labour. From the economic point of view, the argument adds, the availability of irrigation-water, regularity of river-flows, etc., determined which part of China should become, in each successive stage of development, "the key economic area"; while methods of dealing with the irrigation problem brought about a particular class-structure and particular methods or patterns of exploitation. It is true that this type of analysis owes much to K. A. Wittfogel (who was then in Germany and is now in America); but it was effectively pursued, to more strictly Marxist effect (in the sense indicated in the above lines), by the Far Eastern writers such as Hsu Chung-shu, Weng Wen-hao, Tseng Ch'ien, and Ogura, already referred to in the preceding chapter, and by others (4).

The above considerations relate especially to the true norm of typically Chinese thought. They therefore exclude the "foreign-style" efforts of "returned students" and others, and also many attempts at compromise or eclecticism. The march of events is swiftly showing how superficial, or extraneous, were the efforts of even the best of these, and how much deeper was the main current which is here chiefly in question. A vivid instance, worth quoting as best known abroad, is possibly that of Lin Yu-tang, whose brilliant and hopeful contribution now appears to "date" accordingly. In his "dangerous thoughts", this writer was in advance of his times, but in his safe ones he was in retard of them. The wheel (by this period of the 1930's) had turned another full circle, since the days when China and Europe first took notice of each other. A re-reading of Reichwein's classic ("China and Europe" 1925, from the German edition of 1923) will make this clear at the present day. And, like all wheels that do not revolve in mid-air, it now stood some distance from its starting-point.

Policies and programmes which do not state a clear conception of what China is, and where China stands, in relation to the general perspective of human development all over the world, are empty and ineffective. A mere change of regime is not a sufficient prospectus for the Chinese people, however good the practical programme offered. The question is, in addition, which of the contestants proves himself to have the best claim to interpret and represent China. Both sides at present are weakened by their association with, or dependence on, foreign powers—Russia in the one case, America in the other. But meanwhile the Communist side has worked hard and effectively, over the past quarter

TUNGSTEN ORE: CHINA'S SUPPLY AND HONGKONG MINING

By J. Y. Yang

During the Nationalists' regime, the main part of Chinese tungsten ore was exported to the United States under a monopoly by the National Resources Commission which had an office in New York. Since the last quarter of 1949 however Peking placed an embargo on the export of tungsten ore to the Western countries and supply from China has no longer been available. While the United States prohibits the import of all goods of China origin, tungsten ore is an exception and it always find its way into the U.S. If any stock is available in Hongkong it will mostly be shipped to the U.S. as the ore has been classified under the category of essential items of strategic materials by Washington.

The constant demand for tungsten ore has induced thousands of refugees and unemployed workmen here to seek their fortune in several mining areas in the New Territories where sporadic exploitation by primitive methods started during the early part of 1950. This is something hitherto unknown in Hongkong and the public is paying much attention to it.

Minerals containing tungsten. "Tungsten ore" is the general name given to a group of minerals containing tungsten, a rare and valuable metal. According to their characteristics and compositions, the minerals containing tungsten are briefly described as follows:

1. Wolframite. This is the most important source of tungsten, having a specific gravity of 7.2 to 7.5, a hardness of 5, a black color and a sub-metallic luster. This mineral is a compound of Iron manganese tungstrate, (FeMn) WO3. When the manganese tungstrate is low, the ore is called Ferberite, FeWO3, which occurs in narrow quartz veins traversing granite. When the iron tungstrate is low, it is called Hubnerite, MnWO3, which has a somewhat similar mode of occurrence. Wolframite is a frequent associate of cassiterite in quartz and pegmatite veins traversing granitic rocks and metamorphosed sedimentaries invaded by such rocks.

2. Scheelite. Scheelite means in Swedish heavy stone. It is a compound of Calcium tungstrate, CaWO3, and is typically found in contact metamorphic deposits, especially where limestones have been mineralized by tungsten-bearing solutions derived from granite magmas, the calcium in limestone combining with tungsten to form calcium tungstrate.

3. Sanmartinite. A variety containing zinc found in Argentina, is called "Sanmartinite".

Occurrence & production. The important sources of supply of tungsten ore are China, Burma, Korea, Australia, Portugal, Bolivia, Argentina and United States. About 45% of the world's production came from China. Ranking next in importance is Burma but the ores are very widely distributed in small quantities. The following table shows that Asia leads the world's production, South and North America take the second place, Europe the third, Australia the fourth and Africa the fifth.

Following the discovery of wolframite in China in 1914, that country four years later became the leading producer of the mineral, with a yearly output about 10,000 tons obtained mainly from the surface deposits on hill and mountain slopes in Ta Eu of Kiangsi province, and to a lesser extent from Hunan, Kwangsi, and Kwangtung. Wolframite veins are also worked in these parts. During the period 1943-1945, wolframite exported from China showed a sharp decline due to decrease of production on account of the Japanese invasion. Mining in Ta Eu was not resumed until 1946 and thereafter the export trade of the mineral gradually recovered its normal level.

Among Asian producers, Burma takes the second place and Korea the third one. In Australia, Tasmania ranks first in production, Northern Territory the second, Queensland the third and New South Wales the fourth. In South America, Bolivia is the biggest producing center, Argentina is next. The United States is the leading producer in North America. Most of the world's scheelite is obtained from California and Nevada. The concentrates mined in Arizona contain an average of 67% of WO3. Portugal is the largest producer in Europe with a yearly output of more than 2,500 short tons.

Quality & price-determination. Wolframite is extracted by the gravity method, to a concentrate containing 60 to 65% of tungsten trioxide, WO3, out of which tungsten can be obtained. Before the extraction of tungsten, the price of the ore is determined by the percentage of its valuable content of WO3. In New York, transactions are usually based upon Hamburg Contract A Basis, the important points of which are maximum tin content 1.5% and maximum arsenic content 0.2%. Analysis certificate of Ledox Laboratory, New York, will be final and binding upon the contracting parties. In New York market, the price of the ore is usually quoted by "a certain amount of dollars per unit" with a minimum limit of WO3 content specified, i.e. 60 or 65%. Cargo of quality less than either of these will be rejected. One percent in one short ton means "one unit." The actual amount of payment for each short ton is calculated on the pro rata basis. For instance, supposing that the price is fixed at U.S.$65 per unit, the amount of payment for each short ton of ore of 65% WO3 content will be U.S.$4,225. To extract pure tungsten trioxide, WO3, from the concentrate, fuse it with sodium carbonate, Na2 CO3, to form sodium tungstrate, Na2WO3, which is dissolved in water. When an acid is added to the solution, the WO3 precipitates into yellow powder.

Tungsten metal extracted from the ore

1. How it is prepared. Tungsten is an elementary metal, symbol W, and never found free in nature. Owing to the very high melting point, it is difficult to reduce tungsten to a coherent form. Tungsten metal, however, can be extracted from the ore by the following processes: (A) By roasting to complete oxidation and reducing the oxide to metal by passing hydrogen over it in heated state in a platinum tube, it can be reduced to powder. The powder metal may be dissolved in mercury and cadmium, the resulting amalgam made into a wire and the two other metals driven off by electrically heating the wire. (B) Another method is to press the powder obtained from the former process into a wire and roll and hammer it at high temperature until it becomes plastic. (C) Still another method (Von Bolton's) is to form the oxide into a rod with paraffin

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of a century, to claim that Chinese history is on its side, and that it represents the real China. In this field it has struck deep roots; the depth and strength of these are still hard to judge, but they must be considerable.

Notes to Ch. III.

(1) Edward C. Hunter, "Brain Washing in China," 1951.

(2) 古史辨。

(3) 顧頡剛，「禹貢半月刊」。

(4) See also Wan Kuo-ting, 萬國鼎，「中國田制史」。 1934. Chen Chao-ching, "History of Water-control in China," 鄭肇經，「中國水利史」， 1937. (Japanese translation by Tanabe Shin, in "Shina Bunka Shi Taikei," 1941).

and carbon, bake it to a high temperature and pass a strong current through it. The oxide is a conductor and in the process of heating it decomposes. The oxygen is pumped away, leaving the pure metal.

2. **Properties.** Tungsten is a heavy white metal with a specific gravity of 19.6 and melting point 6100°F. The Brinell hardness is 290. It is unalterable in ordinary air and not attacked by nitric, hydrofluoric or sulphuric acid solutions. Oxygen and chlorine act upon it only at a high temperature but "aqua regia" will dissolve it, forming a trioxide. It will combine with carbon, chlorine, iodine, bromine, oxygen, phosphorus and sulphur and can form an acid with hydrogen and oxygen.

In ordinary tungsten metal, the grains are large, not over 15,000 per sq. mm, but for special purposes, such as for electric contacts, tungsten is produced with as high as 80,000 per sq. mm. In spite of being a very hard metal, tungsten can be obtained in a soft and malleable state resembling platinum by a special treatment. The tensile strength of rolled sheet is as high as 500,000 psi. Wire drawn to a diameter of 0.0014 in. has a strength of 590,000 psi, the greatest tensile strength of all the metals. Sheets are available in thickness from 0.001 to 0.062 in. and the rod in diameter from 0.040 to 0.375 in. Tungsten wire used for amplifying tubes is as small as 0.00018 in., being almost invisible, and 1 lb. equalling 950 miles in length.

3. **Uses.** The metal was first produced in metallic form in 1783, but was not used alone until developed as a filament for incandescent lamps in 1904. Tungsten filament gives four and a half times as much light for the same power as the best carbon filament, and some 30% more than tantalum filament, but tungsten used for manufacturing light filaments during the present century is less than 2% of world production. It is estimated that the total annual world consumption of the metal for this purpose is little more than 100 tons.

About 90% of the total production of the metal is consumed in the steel industry. Its principal use is in the manufacture of high-speed tool steels, which cut ordinary steel almost as easily as a knife cuts cheese. These tools retain their hardness up to the red heat, are self-tempering and are indispensable in modern workshops, particularly in munition plants, where the best and fastest cutting tools are essential for the rapid production of tanks, aeroplanes and other war weapons. A cutting machine using tungsten steel can be run at five times the speed possible with carbon steel and make heavier cuts, so that jobs now take minutes where with carbon steel they took hours. High-speed tungsten steel is employed also for valves and valve-seats for internal combusion engines, and as dies for wire drawing.

Small amounts of tungsten are used in a great variety of complex alloy steels for stainless steel, motor-car spring, grinding tools, knife and razor blades, drilling tools, files, hack-saws, crushing stamps, electrical resistance wire, and so forth. Tungsten alloy steel are employed in armour-piercing shells, in the manufacture of armour plates, and for gun breeches.

Tungsten is employed also in wireless valves, as targets or cathodes for X-ray tubes, as contact points in electrical apparatus and now commonly used in crucible and sparking plugs. Tungsten electrodes are used for gas-shielded welding of aluminum.

A very recent and important development in the use of tungsten is for making tungsten carbide in various forms

WORLD'S PRODUCTION OF TUNGSTEN ORE

By metallogenic provinces and political areas, in metric tons of concentrates containing 60% of WO_3 (tungsten trioxide). Compiled by the U.S. Bureau of Mines.

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
Japo-Korean Province:												
Japan	*	*	299	479	601	817	733	575	193	59	19	9
Chosen (Korea)	1,590	2,625	3,969	4,525	4,650	6,062	6,932	8,402	1,513	1,180	2,202	1,200
Chino-Malayan Province:												
China §	17,895	13,387	12,871	10,141	13,538	12,962	9,734	3,502	2,929	2,691	6,900	12,200
French Indochina	648	545	507	390	333	213	107	83	8	—		—
Burma & Shan States	6,894	7,090	7,824	8,095	*	1,346	1,346	1,346			1,045	
India	15	12	*	44	77	87	85	33	22	3		
Thailand	221	251	378	400	961	1,653	1,738	1,135	461	201	486	495
Unfederated Malay States	279	333)	587	522	56	61	146	217	29	10	50	87
Federated Malay States	1,077	749)										
Indonesia	°	°	2	°	*				*	*	*	*
Total Asia	28,618	24,992	†	24,596		28,201	20,821	15,293	5,155	4,144	†	†
Australian Province:												
Queensland	110	193	93	129	137	217	177	229	155	75	82	96
Northern Territory	345	480	342	314	333	159	193	102	140	74	103	72
New South Wales	66	124	117	76	95	52	75	53	53	42	45	
Tasmania	345	400	477	607	577	475	463	300	800	850	902	1,031
Total Australia	866	1,197	1,029	1,126	1,142	903	908	684	1,148	1,041	1,132	1,199
New Zealand	28	54	49	88	79	73	121	159	37	30	24	28
Cordilleran Province:												
Argentina	866	1,195	1,309	1,417	1,720	2,115	2,390	2,043	1,067	457	33	33
Bolivia	1,802	2,530	3,337	4,183	4,353	5,606	6,902	7,935	3,851	2,120	2,635	2,485
Peru	78	170	170	290	337	510	722	635	523	510	579	227
Total South America	2,770	3,902	4,823	5,899	6,446	8,240	11,281	12,837	7,633	4,710	4,576	3,889
Canada	—	—	4	6	32	244	618	214	—	—	375	727
Cuba §	—	—	—	*	*	7	7	—	9	—	—	—
Mexico	33	76	229	216	191	193	516	336	134	95	97	168
United States	3,175	2,761	3,889	4,825	5,957	8,467	10,836	9,329	5,020	4,711	2,807	3,633
Total North America	3,208	2,837	4,122	5,047	6,180	8,911	11,977	9,879	5,163	4,806	3,279	4,528
Franco-Cornish Province:												
England	148	258	188	201	127	198	237	350	120	108	63	*
France	0	22	284	138	120	95	126	84		228	391	*
Portugal	2,069	2,810	3,851	4,858	5,894	5,220	7,477	4,088	—	630	3,149	2,930
Spain	250	215	368	393	415	1,462	3,902	2,393	283	431	461	888
Sweden	—	—	158	145	228	267	290	335	413	490	322	*
Italy	—	—	2	2	1	5	2	2	6	*	*	*
Norway	—	—	31	10	8	7	—	4	5	—	—	*
Total Europe	2,600	3,508	4,882	5,747	6,733	7,254	12,034	7,256	1,012	*	*	*
Southern Rhodesia	275	329	270	246	264	504	806	757	287	53	26	80
Belgian Congo	—	—	—	63	123	315	467	433	513	397	670	236
Union of So. Africa	—	—	100	105	142	400	430	660	452	144	91	151
Other Africa	—	—	293	172	160	248	327	262	102	107	153	142
Total Africa	562	*	663	*	689	1,467	2,030	2,112	1,354	701	940	624
Grand Total	38,663	38,000	42,000	43,000	49,800	50,000	59,200	48,200	21,500	17,300	25,000	32,000

* No data. § Exports. ° Less than 1 ton. † Estimate included in total.

as a super-hard cutting tool for machine work. The finely ground carbide is, with the exception of diamond, the hardest known cutting agent, and its introduction is considered to be the most important development in metal cutting, since high-speed tools were invented. These carbide tools are stated to stand up under the same speed as high-speed tool steel, but last 25 to 100 times as long between sharpenings, and in addition can be used for cutting glass, porcelain, and manganese steel which no ordinary tool can touch.

Tungsten compounds are utilized as pigments in paint and ceramic ware, and sodium tungstrate serves for fire-proofing curtains and draperies.

U.S. & China's Wolfram Ore

Formerly the United States was the principal buyer of Chinese tungsten ore. Other tungsten-ore producing countries who are unable to make full use of their ores sell their output to the United States too. The average quantity of the metal yearly consumed in the United States during the period 1940 to 1948 was 15,766 short tons which equal approximately 26,270 short tons of ore containing 60% of WO3, i.e. 57% of yearly world's production of the minerals, including her own output, a little more than 5,000 short tons. In ordinary times, the United States must, therefore, purchase abroad 70% of world's total production of tungsten ore for both consumption and stockpile purposes.

Since the political changes in China in 1949, the export of Chinese tungsten ore has been directed to the Communist bloc. The U.S. lost another important source of supply from Korea where a war is being fought since June 1950. Thus the Communist bloc has taken over about half of the world's output of tungsten ore which is more than enough to meet the requirements of the combined steel industries of U.S.S.R., Hungary, Czechoslovakia, Rumania, Eastern Germany, Poland. Demand and supply of tungsten ore between the Western world and the Communist bloc has been out of balance during recent years.

The Chinese embargo on the export of tungsten ore had some effect on the United States. In normal times, the domestic production of such ores in the United States was more than 3,000 short tons a year, once it increased to 5,957 tons in 1941; 8,467 tons in 1942; 10,836 tons in 1943 and 9,329 tons in 1944. The present world tension has forced America to increase her own output. On July 4th, 1951, a report from Washington stated: "The Senate Preparedness Sub-Committee recommended that the US adopt a comprehensive program for the stimulation of foreign tungsten production in the face of a severe shortage facing the free world. The Sub-Committee recommended that the US Government be made the sole importer and reseller of foreign tungsten. The US lost the major source of tungsten in China, Korea and South-East Asia while stockpiles of the vital material were down to a danger point because the Munitions Board failed to buy and store adequate quantities from 1946 to 1950." On July 8th, 1951, there came another message in connection with "tungsten allocation" from Washington:— "Member Governments of the International Raw Materials Conference have agreed on the immediate introduction of an allocation scheme for tungsten and molybdenum. The Conference announcd third quarter allocation for both strategic metals for various countries (India and Pakistan are not mentioned in the allocation). The Conference said that the allocation should not be regarded as establishing a permanent pattern for future allocation." Thus we are given to understand that measures have been taken to meet the requirements of Western countries of tungsten.

Price trend in New York. During the period 1944 to 1949, the monthly average tungsten ore price in New York, duty paid, per unit, 1% in a ton of 2000 lbs. ran between U.S.$20 and 29 without radical changes. The present buying price per unit under control has gone up to $65 which is higher by 288% against the yearly average of 1949. In spite of great demand for strategic materials, the price of tungsten ore during last World War was not as high as it is now, for the reason that the United States did not then lose the supply from China. From the above price trend, we can see that the main source of supply from China has considerable bearing upon America's steel industry.

PRICES OF TUNGSTEN ORE IN NEW YORK

Tungsten ore (wolframite) in New York, duty paid, "ordinary quality" per unit, 1%, in a ton of 2,000 lbs. Averaged from daily quotations in AMERICAN METAL MARKET.

	1944	1945	1946	1947	1948	1949
Jan.	$25.00	$24.00	$22.50	$22.50	$29.00	$24.25
Feb.	25.00	24.00	22.50	22.50	29.00	24.25
Mar.	25.00	24.00	22.50	23.43	29.00	24.25
Apr.	24.00	24.00	22.50	24.00	29.00	23.97
May	24.00	24.00	22.50	25.55	29.00	23.75
June	24.00	24.00	22.50	27.35	25.82	23.75
July	24.00	24.00	22.50	29.00	25.50	22.18
Aug.	24.00	24.00	22.50	29.00	25.09	21.00
Sept.	24.00	24.00	22.50	29.00	24.29	21.00
Oct.	24.00	22.50	22.50	29.00	23.75	20.85
Nov.	24.00	22.50	22.50	29.00	23.75	20.00
Dec.	24.00	22.50	22.50	29.00	24.18	20.00
Aver.	24.25	23.62	22.50	26.63	26.45	22.44

Tungsten ore in Hongkong

In pre-war days, there were several small tungsten mines here, and their output was negligible on account of unfavourable factors such as high cost of production and low prices offered from foreign buyers. In those days, local prices for one picul of 133.3 lbs. of the ore containing 65% tungsten trioxide ran between HK$200 and 450. During the early part of 1946, price dropped to the lowest point of $80, when the demand for the ore decreased at the end of World War II. Till the last quarter of 1948, however, the price of tungsten ore recovered its pre-war level of $480. Two months prior to political changes in South China in 1949, shipments of the ore were rushed to Hongkong from Kiangsi, Hunan, Kwangsi and Kwangtung, as a result of which local price declined again to $220 because the market was over-stocked. When Chinese Communists took over Canton in October 1949, they immediately placed an embargo on the export of tungsten ore and no shipment of this strategic material arrived in Hongkong ever since. Four months later, local stocks were exported and the price soared to a peak of $2,200 which lasted only about four weeks between the second half of August and the first half of September, 1950, then began to slide down to $1,650 and remains so up to the present.

Urgent demand for tungsten ore expressed in terms of attractive prices induced local unemployed workmen and refugees to work on several small mines in the New Territories where tungsten ore was first discovered in 1950. There are now ten tungsten mines operating with varying degree of success at Lin Fa Mountain, Shing-Mun, Tide Cove of Shatin, Ho-Chung of Sai-Kung, Ten-Mun of Castle Peak, Wongneitan of Un-Long, Devils Peak of Ly-E-Mun, Kap-Shui-Mun, Sha-Lo-Wan and Tung-Chung of Lan Tau Island.

It is estimated that more than 10,000 people are engaged at present in these mines with an output of 30 to 50 tons of ore per month. In spite of such a negligible production, Hongkong tungsten mines still play a part, however small, in supplying Western countries. Besides, the mines save more than 10,000 unemployed people from starvation and indirectly help maintain peace, order and social stability here.

One mining area alone was exploited by more than 5,000 miners during the "wolfram rush" of October, 1951. The daily output then was one or two tons. The exploitation was going on for a time, free of control, restriction, or interference. But this did not last long. The "laissez-faire" attitude of Hongkong Government stiffened into a policy of control. A system of licensing has been introduced for revenue purpose.

The licencee of the above mining area, who obtained an exclusive right to work the designated mine, has hired more than 150 watchmen to protect his interests. Struggles that ensued between desperate miners and the licencee's men broke out in November, 1951. Finally, the illegal miners had to give up. The licencee eventually found that he lost money because the miners refused to accept his terms and walked away and as a result, the output sharply declined to less than 1 picul a day. Besides, under the licencee's management, miners have to register their names with shop guarantee which is indeed a difficult term for them to fulfil. Moreover, those miners who have been registered, are allowed to sell their ore to the licencee only at a fixed price of $10 per catty and ore so sold must be well-selected and highly dried by baking in the first place. Formerly, the illegal miners could sell their ore in crude condition to any party at $13 per catty. Therefore the registered miners are victimised. It is only natural that more than 90% of the original workers quit that area in consequence of the severe terms of employment.

Eight out of the ten mines mentioned above are located in licensed mineral areas. A certain licencee sub-let his mining area to a third party for a commission of 10%. The licencee does not pay the 5% for Royalty. To deduct the expense of Crown Rent at $10 per acre per annum of the mineral area and the interest incurred on the security deposits from the extra 10%, the licencee, for example, could make an unearned profit around 9%. Some mining companies which operate under sub-leases, always pay $8 to $10 per catty to buy the ore from the miners while the illegal miners who exploit the unleased Crown lands may sell their minerals freely at around $13 per catty. Obviously it is wrong to grant a license to any one who has no intention or ability to work the mine himself. There is serious gap in the local mining regulations and an amendment to right the wrong is most desirable and necessary.

Among the mines named in the foregoing paragraph, Sha Lo Wan and Tungchung of Lan Tau Island are two areas of unleased Crown lands. According to the author's observation and estimate, there are around 1,500 miners working in Sha Lo Wan and around 3,000 in Tung-Chung. Mining in unleased areas is unlawful and prohibited. The author is at a loss to understand why the police of Tai-O did not stop or attempt to stop the illegal mining when they were eye-witnesses to the scene. But a Hongkong daily reported on April 28th, 1952:- "For purchasing minerals from unauthorized persons, Ng Kwock-Cheung, 54, a licensed mineral buyer of Tai-O, was fined $50 by the magistrate at Kowloon yesterday. Ng was cautioned on a second charge of failing to have a removal permit in respect of each transaction of minerals. 250 catties wolfram ore belonging to the defendant was ordered confiscated. Defendant had collected 250 catties of minerals from miners at Sha Lo Wan Village, New Territories." Why is it that a licensed dealer is fined and his ore confiscated, while the Police of Tai-O stand watching hundreds of men working out ores over there?

It is not worthwhile to invest large capital to work the local mines on a large scale and buy up-to-date equipment, because mineral deposits do not justify it. Furthermore, in this time of uncertainty and tension, financiers are not interested in mining enterprises, especially so when the mines in the New Territories are so close to Red China. As far as the author is aware, the equipment and technique employed in the local mining areas are of typically primitive kind and depending chiefly on man-power. Electric light and pumps are sometimes used in one or two licensed mineral areas.

The author is of the opinion that working a licensed mineral area under prevailing circumstances is more an adventure than a steady business. Instead of arresting and punishing thousands of illegal miners, Government should make good use of such abundant man-power to develop the mines in unleased Crown lands and stop granting further mining licenses to individuals or companies who are not actual operators of mines. Under the supervision of Police and Health officers, miners should organize themselves into groups of 50 or 100, properly registered in the Office of the District Commissioner, New Territories. A tax of 5.5% to 6% may be levied once only on the tungsten ore worked by each group, according to the market values. Only in such a way will Government revenue be protected.

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AUTOMOBILE INDUSTRY IN JAPAN

By Kazuo Kumabe

(formerly professor of mechanical engineering at the Tokyo Imperial University and vice-president of Toyota Motor Co., Ltd.)

Brief history

Japan was from thirty to twenty years behind the U.S.A. and European countries in venturing into the automobile industry. It was only in 1915 that the first home-made motor vehicle—a heavy truck of 4 ton load—was assembled by the Government. Several private companies set about its production, but most of them failed in the attempt with inferior production technique, poor working materials and the resulting high production cost. Only ISHIKAWAZIMA Dockyard Co., Ltd. and a few others barely managed to continue the production, which totaled up to only several hundred units annually. With all the Government subsidies granted to them, their price was 50 to 100% higher than that of imported cars.

World War I brought an unexpected prosperity to Japan's economy. The national income and with it the living standard were greatly enhanced. The general public however was not fully aware of the importance of motor transportation until after the Great Earthquake, which occurred on 1st September, 1923. This disaster, destroying Tokyo and its vicinity almost completely, stopped instantly all means of communication and transportation. Only motor-cars and trucks were available for rescue and reconstruction work. The importance of motor transportation for civil purposes was dramatically demonstrated. This brought a sudden change in the Government policy. Efforts were made to encourage the widespread use of motor vehicles. Import duty on them was lifted for one year. Seizing this opportunity, two American manufacturers, Ford and General Motors, built assembly plants in this country. Ford and Chevrolet cars assembled in these plants represented almost 90% of all the trucks and taxicabs driven here in prewar days. The activities of these American concerns extended over East Asian countries, employing Japanese bonded warehouses as their base.

The world economic crisis gave a severe blow to Japan's heavy industries, especially shipbuilders. About 1933 two of the leading shipbuilders, KOBE MITSUBISHI and KAWASAKI, in their efforts to tide over the crisis, started the production of truck and bus chassis. In both cases the model was an American heavy truck "White" and their chief prospective customers was the Government Railways. Their products were not poor from a technical viewpoint, but their high price invited severe criticism. A heavy Diesel chassis now on the market under the name of "Fuso" alone survived this period.

At about the same time several companies ventured into the manufacture of passenger cars and ISHIKAWAZIMA Dockyard Co. made a contract with the British Wolseley Co. for that purpose. But they all failed in the attempt. The only exception was a light car "Datsun." This model was first manufactured on a small scale in Osaka and succeeded by the Nissan Heavy Industrial Co., which is now turning out 300 to 500 of this type of car. The first prototype of Datsun is believed to be French. About 1935 Toyota Automatic Loom Co. started the manufacture of experimental cars. They were low-priced passenger cars and trucks designed on the model of American popular cars.

In 1936 Mr. G. Ayukawa organized Nissan Heavy Industrial Co. and in the next year Toyota Motor Co. was incorporated. The establishment of Nissan and Toyota marked an epoch in Japanese automobile industry in the sense that they introduced mass production system into the industry. Nissan started to produce, besides Datsun, standard passenger cars and 2 ton trucks on the model of the Graham Paige. Most of the machine tools were imported from a former Graham Paige plant and the production was started under the direction of American engineers. Toyota, too, imported a larger part of their machine tools from abroad, but they also designed and manufactured no small part by themselves. Although the two companies started production at about the same time, their management and engineering had strikingly contrasting features. The management system of Nissan was completely American, while that of Toyota was entirely of their own. They endeavoured to establish a good reputation for reliability and durability of their products, but the general public was not as yet fully convinced.

The change in international politics since the outbreak of the Manchurian Affairs in 1933, however, offered a golden opportunity to both companies. Japanese economy was rapidly being transformed on a war basis until 1941, when this change was brought to its last stage. By then Nissan and Toyota had been partly transformed into munition factories turning out military trucks. Passenger car production was suspended and all stock was taken over as a war supply. Diesel Automobile Co., now Isuzu Motor Co., and other companies supplied heavy trucks. The largest monthly production of trucks attained in the wartime was 3,000 to 4,000. The shortage in materials and skilled labor coupled with air-raids naturally decreased the production in the last stage of the war. The writer thinks, however, that in spite of these difficulties the monthly production was kept up well over 1,000.

The most distinguished feature in Japanese motor products has been and is motor three wheelers. Not that this kind of vehicles is unknown in foreign countries, but it was developed in standardized layouts in Japan and has acquired a widespread use. It has one steering wheel of bicycle type in the front and a cargo platform mounted on rear wheels, which are driven by single or twin-cylinder, air-cooled engines. This type of vehicle has been manufactured since the earliest days of the industry and has enjoyed a great popularity because of its attractive qualities: it costs less than one quarter of a standard truck; its maintenance cost and tax are low; it is easy to handle; and it is also easy to obtain a driver's license for it. Before the war 500 to 1,000 motor three wheelers were manufactured monthly. Most of the manufacturers were rather small, depending for their supply of parts on tiny household workshops. Their production cost was low, but the quality of their products was rather poor.

Present conditions

Soon after the war the Occupation Authorities gave permission for recommencing the manufacture of trucks, which were urgently needed for reconstruction works. The war damage to the plants was relatively small and, thanks to the encouragement given by the authorities, the production showed fast recovery.

One of the most remarkable features in the post-war automobile industry is that the technique of aeronautical engineering was initiated into it. As all aircraft industries were banned, many engineers and mechanics with experience and skill entered into the automotive industry. The engineering level of the industry was raised immensely. Body works of large buses, frame works and suspensions were completely

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revised. Large buses and semi-trailer buses with a seating capacity of nearly one hundred first appeared on the market. These buses are mostly driven by 80 to 100 HP Diesel engines, as large bus operators prefer Diesel engines because of their low fuel consumption.

By 1948 the more pressing demand for buses and trucks was filled and the market began to show signs of over-production. Buyers market prevailed and competition became keener. Manufacturers were compelled to expand their sales organization and most of their products were sold in instalments. They all experienced serious financial difficulties and were forced to discharge 20 to 30% of their employee.

In June, 1950 the Korean War broke out and the industry was swept into a sudden boom. All unsold stocks were cleared and all the plants were fully employed. The financial situation has definitely improved and for the subsequent years up to the present, the industry as a whole has recorded a handsome profit. It has to be noted, however, that the boom has boosted up the production cost of the industry almost double.

The present conditions of the leading manufacturers are summarized below:

	Paid-up capital (in million yen)	Number of employees	Annual production capacity	
Toyota Motor Co., Ltd.	418	5,500	4 t. truck chassis 1 t. truck chassis Bus chassis Small passenger cars	12,000 6,000 600 1,800
Nissan Motor Co., Ltd.	350	6,500	4 t. truck & bus chassis ½ t. truck chassis & small cars	14,400 7,200
Isuzu Motor Co., Ltd.	300	3,800	Diesel heavy truck & bus chassis Gasoline truck & bus chassis	7,200
Hino Diesel Ind. Co., Ltd.	200	2,000	Diesel heavy truck & bus chassis	700

Kohsoku Engineering Co., Ltd. specializes in the manufacture of light passenger cars and trucks and Minsei Diesel Engineering Co., Ltd., in large Diesel truck and bus chassis. Diesel truck and bus chassis are also manufactured by both East Japan Heavy Industries, Ltd. and Central Japan Heavy Industries, Ltd.

Three wheelers, motor cycles and motor scooters are made by about twenty manufacturers of various sizes. Their annual capacity varies from 15 thousand to several hundreds. Some large manufacturers are well equipped and their products show a decided improvement in both design and quality. Some of the motor scooters of 2 to 3 HP now on the market are the products of a former aircraft factory which used to turn out aero-engines of several thousands HP.

The parts of these vehicles are supplied partly by specialized makers. But the parts industry in this country is not so well specialized as in U.S. and Western countries. Carburetors, electric systems and pistons are generally supplied by specialized makers, but there is no maker specializing in clutches, brakes, crank-shafts, etc. Standardization of parts is not yet fully carried into effect. Generally speaking, Japanese motor manufacturers make more parts by themselves than foreign manufacturers. This is one of the reasons why the cost of Japanese motor vehicles is high.

The raw materials are supplied almost entirely by native industries. Steel production has recovered and can fully meet the requirement of the industry in point of quantity. But the quality of steel is not very satisfactory as compared with that of foreign standards. In consequence of the poor quality of steel and the traditional practice in this country of overloading vehicles, designers are compelled to allow a large safety margin for the strength of parts, thus making their cars heavier.

Again, due to the poor quality of steel the time required for machining is much longer than the U.S. standard and this constitutes another cause for higher production cost. Research has been made for improving the quality of steel and some practical solutions are found by the engineers. The chief obstacles in the way of their universal application is a financial consideration on the part of the steel makers.

Bus and truck bodies are made by specialized manufacturers. They have much improved in design and have almost attained the level of foreign standards. Body works for passenger cars are on the same level. But most of them are half hand-made and their costs are inevitably high. Upholstery and cushioning have not yet reached the level of foreign standards in both design and materials.

The bulk of the Japanese automobile industry is 4 ton gasoline trucks. They are driven by 6 cylinder 80-90 HP engines and have a wheel base of about 160 inches. Some of them are driven by 4 or 6 cylinder Diesel engines. They

are re-modeled and reinforced during wartime in order to meet the demand for increased loading capacity. As a result their payload is larger than that of foreign-made trucks of the same size. Their chassis are somewhat heavier and the materials used are more or less inferior. In spite of all this they will bear comparison with any foreign truck in point of durability. It is the wartime experience that has made this engineering feat possible. Besides the 4 ton trucks, larger and smaller ones with bodies for various purposes are also manufactured.

As shown in the above table, passenger car production is relatively small. If the price of small passenger cars can be reduced to a reasonable level befitting the living standard in this country—and the writer believes this possible—the popular demand for them will be big enough to sustain a fairly large enterprise. But their present price is too high to make them popular and their customers are chiefly taxi-cab owners.

The total number of registered motor vehicles now in Japan is about 470,000, of which 20,000 are small cars and 35,000 are larger ones. These figures do not include the vehicles owned by foreigners, the number of which is estimated at about 9,000.

According to the legal definition in this country a motor car having four cycle engines with piston displacement of 1,500 cc or under and a total length of 4.3 m or under is classified as a small car and an allowance is made in tax.

The Government anticipates the production of 46,700 cars and trucks in the next fiscal year beginning April, 1952. This represents an increase of 35% over the production of the previous year. Of this total, 20,100 are trucks (of which, 3,700 are for export), 3,900 are buses (300 for export) and 7,200 are Jeep type cars. According to the same source, 48,000 three wheelers (of which, 1,000 are for export), 34,000 motor cycles (300 for export) and 28,000 motor scooters (300 for export) are also to be manufactured. This means an increase of 10% in three wheelers, 70% in motor cycles and 20 in motor scooters over the previous year. In view of the prevailing economic slump, this estimate may seem to be a little too optimistic. But we must take into account the large potential demand from the National Defense Force which will be organized in the coming autumn.

Since immediately after the war, when the decision was made to reopen the production of motor vehicles, the manufacturers as well as the Government have eagerly sought to

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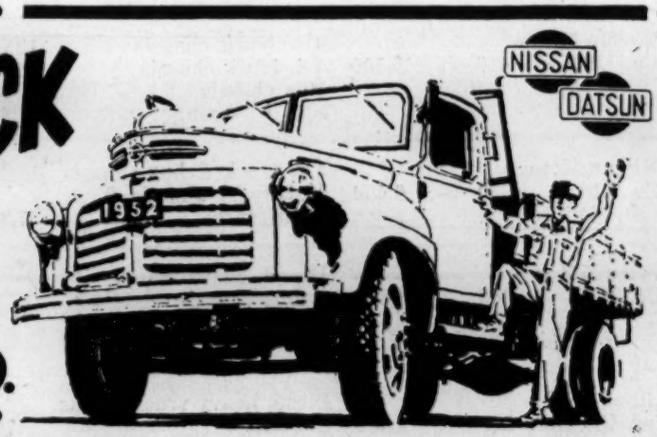

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find new markets overseas. But the results so far are not very promising. What was exported went almost exclusively to the former Japanese territories—Korea, Okinawa and Formosa. Constant efforts are being made to find new markets in South America, Thailand, India, Pakistan and other countries.

The most frequent criticism made on Japanese export motor vehicles is that they are relatively high in price. All foreign buyers have a general idea in common that the Japanese products must be cheap. This is true of textile and allied products, which can fully enjoy the advantage of mass production. Some machines and their parts, notably sewing machine heads, are also cheap and exported abroad, because the demand for them in the domestic market is so active as to allow them to be manufactured on a mass scale. Our automobile industry, however, is not yet big enough to undersell Americans in the world market. Under present conditions export of motor vehicles is made the more difficult due to the limitations on sales activities in overseas markets. In spite of all this, Japanese manufacturers are trying hard to cut down the cost and find outlets abroad.

An average Japanese worker earns only one sixth of the wages of an average U.S. worker. But at present his per head production is also only about one sixth of that of the American. This poverty in labor efficiency is an inevitable outcome of small-scale production, inefficient equipment, poor quality materials, etc. The Japanese worker is by nature very diligent and skilful and the engineers are well qualified to master the most advanced technique. The writer believes that the automobile industry will be solidly established in this country, when these valuable manpower resources are fully exploited.

THE FOREIGN TRADE OF JAPAN IN 1951

Comparison with 1950

The total value of Japanese exports and imports in 1951 amounted to US$1,363 million and US$2,169 million, respectively, an increase of 66% and 123%, respectively, over the exports and imports in 1950. Thus the trade balance for the year showed an excess of imports (including U.S. aid imports) over exports of $806 million (see Table I). However, since the imports in 1951 included U.S. aid imports amounting to $180 million (for the first 11 months of the year), the excess of payments over receipts for merchandise trade amounted to $428 million, as compared with the excess of receipts over payments of $127 million in 1950. This reversal of the balance of trade payments position was due to the great reduction in American aid imports during 1951 consequent upon their discontinuance from July 1951 onward. Such aid imports in 1950 had amounted to $361 million, being 37% of the total imports.

TABLE I

VALUE OF JAPANESE EXPORTS AND IMPORTS DURING 1951

(In millions of U.S. dollars)

Period	Exports	Imports Total	Imports U.S. aid imports	Net export (+) or import (—) balance
First half, 1950	323	484	212	(—) 162
Second half, 1950	497	489	149	(+) 9
Total for 1950	820	973	361	(—) 153
January 1951	81	126	13	(—) 45
February ,,	82	156	20	(—) 74
March ,,	125	247	25	(—) 122
April ,,	112	224	20	(—) 112
May ,,	142	241	34	(—) 99
June ,,	120	185	20	(—) 65
First half, 1951	662	1,179	133	(—) 517
July 1951	121	225	22	(—) 104
August ,,	94	192	14	(—) 98
September ,,	97	144	5	(—) 47
October ,,	103	141	4	(—) 38
November ,,	111	126	2	(—) 15
December ,,	174	162	*	(+) 12
Second half, 1951	701	990	x 47	(—) 289
Total for 1951	1,363	2,169	† 180	(—) 806

* Not yet available.

x For July-November 1951.

† For January-November 1951.

However, the balance of international payments for the year showed excess receipts of $334 million (see Table II), owing to a sharp increase in invisible exports, especially special procurements for the Korean war by the United Nations Forces (see Table III).

TABLE II

MONTHLY RECEIPTS AND PAYMENTS OF FOREIGN EXCHANGE IN 1951

(In millions of U.S. dollars)

Period	Receipts Visible trade	Receipts Invisible trade	Receipts Total	Payments Visible trade	Payments Invisible trade	Payments Total	Net balance of receipts (+) or payments (—)
First half, 1950	300	63	363	287	12	299	(+) 64
Second half, 1950	473	172	645	358	20	378	(+) 267
Total for 1950	773	235	1,008	645	32	677	(+) 331
January 1951	90	46	136	102	4	106	(+) 30
February ,,	95	52	147	160	6	166	(—) 19
March ,,	96	65	161	209	16	225	(—) 64
April ,,	115	93	208	182	13	195	(+) 13
May ,,	135	69	204	176	11	187	(+) 17
June ,,	123	62	185	158	13	171	(+) 14
First half, 1951	654	387	1,041	987	64	1,051	(—) 10
July 1951	127	69	196	144	16	160	(+) 36
August ,,	109	111	220	140	21	161	(+) 59
September ,,	86	77	163	114	13	127	(+) 36
October ,,	101	92	193	106	22	128	(+) 65
November ,,	107	99	206	101	18	119	(+) 87
December ,,	113	104	217	133	23	156	(+) 61
Second half, 1951	643	552	1,195	738	113	851	(+) 344
Total for 1951	1,297	939	2,236	1,725	177	1,902	(+) 334

TABLE III

SPECIAL PROCUREMENT ORDERS

June 25, 1950 to Jan. 6, 1952

(Amounts in millions of U.S. dollars)

Item	June 25, 1950 to June 30, 1951 Amount	June 25, 1950 to June 30, 1951 Percent	July 1, 1951 to Jan. 6, 1952 Amount	July 1, 1951 to Jan. 6, 1952 Percent	Total June 25, 1950 to Jan. 6, 1952 Amount	Total June 25, 1950 to Jan. 6, 1952 Percent
Commodities:						
Textiles	63	27	30	19	93	24
Metal products	53	23	36	23	89	23
Machinery	55	24	33	21	88	23
Chemical	11	5	14	9	26	7
Fuels and mineral products	9	5	12	8	21	5
Natural materials	9	4	10	7	19	5
Others	30	13	21	13	50	13
Sub-total	230	100	156	100	386	100
Services:						
Transportation	26	27	6	10	32	20
Construction	12	12	15	23	27	16
Repair of facilities	38	38	28	43	66	40
Use of facilities	7	7	7	11	14	9
Warehousing and stevedoring	9	10	4	6	13	8
Others	6	6	5	7	11	7
Sub-total	98	100	65	100	163	100
Total	328		221		549	
Monthly average	27		37		30	

Though the prices of import and export goods showed a gradual decline from April onward in reflection of the

lull in the Korean war boom, the average increase in price for the year as a whole was 43% for export goods and 27% for import goods (see Table IV). Thus the increase in export prices was far greater than that in import prices, showing an entirely opposite trend from the increase in the value of exports and imports.

This fact suggests that the increase in the value of exports was due in a large measure to the rise in the prices of export goods. A clear indication of this fact can be seen from the index of the physical volume of trade given in Table V, which also shows that the physical volume of imports is still only about 50% of the 1934-36 average. As the physical volume of foreign trade has not yet adequately recovered, there is a real need to further expand the volume of foreign trade in order that Japan may attain a self-sustaining economy following the discontinuance of American aid.

In brief, the distinguishing features of Japanese foreign trade in 1951 as compared with the preceding year were (1) a substantial increase in the volume of imports, (2) failure of exports to expand over the preceding year's volume, (3) the resulting big increase in the excess of imports over exports and (4) continued excess of receipts over payments in spite of this unfavorable balance of trade. We shall discuss each of these features in the following sections.

Expansion of Imports

As already pointed out, imports during 1951 increased both in value and in physical volume. There was, however, very little change in the composition of imports, with foodstuffs and raw materials accounting for a large percentage of the imports. It should be noted, however, that the import percentage of raw materials increased over the preceding year's, as shown in Table VI, which rendered possible a 43% rise in industrial production during the year over the preceding year's. It will be seen from the monthly figures of imports given in Table I that, in sharp contrast to active imports in the first half of the year, imports in the second half were very sluggish.

In the period following the outbreak of the Korean war in June 1950 Japanese imports had remained inactive for some time in contrast to the rapid increase in exports stimulated by the war. This imbalance between exports and imports had a great impact on the supply and demand for goods in this country, which was highly deficient in the self-supply of raw materials. With the steady exhaustion of the accumulated stock of goods resulting from the "stabilization crisis" brought about by the strict enforcement of the Dodge Program, a cry of shortage of raw materials began to be raised. In order to cope with this situation, the Japanese Government adopted a series of measures for encouraging imports of raw materials. Such measures included (1) increasing the foreign exchange budget for the second half of 1950 and thereafter (the amount was increased from US$180 million for the April-June 1950 quarter to US$520 million each for the July-September quarter and the October-December quarter), (2) improvement of the operational procedure (adoption of a long-term budget system and an automatic approval import system) and (3) adoption of the Bank of Japan usance bill system as a domestic financial measure. As a result of these measures, imports steadily increased from about October 1950 onward. For the January-March 1951 quarter the foreign exchange budget was sharply increased to US$920 million, with the result that monthly imports from March 1951 onward surged to the US$200 million level. It is believed that a considerable amount of speculative imports in anticipation of higher prices ahead was included among these heavy imports. Moreover, the prices paid for the imports were the highest since the outbreak of the Korean war (see Table IV).

TABLE IV

MONTHLY INDEX OF IMPORT AND EXPORT PRICES IN JAPAN DURING 1951

(July 1949-June 1950 average = 100)

Month	Import price index	Export price index
June 1950	101.1	99.7
January 1951	139.1	165.7
February ,,	143.9	178.4
March ,,	145.8	185.1
April ,,	144.7	181.8
May ,,	139.0	176.4
June ,,	133.4	167.1
July ,,	128.8	161.5
August ,,	128.5	151.8
September ,,	129.1	155.9
October ,,	133.5	154.3
November ,,	134.8	153.3
December ,,	134.9	152.1
Average for 1951	136.6	165.3
,, ,, 1950	107.8	115.5

Meanwhile, international prices which had continued to soar after the outbreak of the Korean war had taken a downward trend from about the end of the first quarter of 1951 owing to the intensification of control, such as the freezing of wages, in the United States, and the relaxation in the competitive purchase of raw materials by the countries of the world in view of the growing prospect of cease-fire in Korea. With the commencement of cease-fire negotiations toward the end of June 1951, the lull in the world boom assumed a full-dress scale, with the result that prices dipped further.

It was at such a depressing time that the dates of payment for high-priced imports approached. In the case of especially crude rubber, hides and leather and fats and oils, the international prices of all of which had fallen most sharply, their importers were placed in a severe financial pinch in July and August because of (1) the limited financial resources of the small and medium enterprisers who comprised the majority of the users of these raw materials and (2) the cancellation of export contracts by foreign buyers at the very time when financially weak Japanese trading companies were hard pressed for funds to pay for imports made on a more or less speculative basis.

From August onward imports steadily declined because of difficulties due to the slackening of demand, fall in prices, the domestic accumulation of stock, especially crude rubber, hides and leather and fats and oils, and the financial pinch of importers and manufacturers under the continued lull in the world boom.

Sluggishness of Exports

The lull in the world boom which had a great impact on the trend of imports affected to a great degree the trend of exports also by converting the sellers' markets prevailing since the outbreak of the Korean war into a buyers' market.

Although both the physical volume of export contracts and prices of export goods steadily declined after reaching their peaks in February-March 1951, export shipments continued for some time thereafter to maintain a substantial volume at a monthly average of $110 million since the beginning of the year, owing to the favourable exports of textiles under large amounts of export contracts concluded at a time when the whole world was scrambling for goods in anticipation of their future scarcity. However, when international prices began to dip under the growing prospect of a cease-fire in Korea, export contracts (especially for cotton yarn and cloth) were cancelled by foreign buyers, with the result that the domestic accumulation of goods increased (estimated to amount to $50 million as of June 30, 1951). Moreover,

export contracts for iron and steel and their finished products also declined heavily because of their high prices as compared with foreign manufactures, which high prices had been ignored before in view of the world-wide scramble for them in anticipation of their future scarcity (see Table VII). Coupled with the problem of finding ways and means of paying for huge imports, this change in the world market situation caused a sharp decline in the prices of goods related to exports (see Table IV), especially textiles and iron and steel products, which induced foreign buyers to refrain from making further purchases. As a result, the average monthly exports during August and September sharply declined to $95 million.

TABLE V

INDEX OF PHYSICAL VOLUME OF JAPANESE FOREIGN TRADE

(1934-36 average = 100)

Monthly average for	Exports	Imports
1950	29.0	33.1
First quarter 1951	30.5	54.6
Second quarter 1951	34.3	65.1
Third quarter 1951	* 28.9	51.0

* Average for July and August.

TABLE VI

PERCENTAGE COMPOSITTON OF JAPANESE IMPORTS

Item	1950	1951
Foodstuffs	39.2	24.6
Raw materials and semi-finished goods	56.2	71.6
Finished goods	4.6	3.5
Miscellaneous goods	—	0.3
Total	100.5	100.0

Note: Owing to adjustments in the classification of source data the classification of goods in 1951 does not exactly coincide with that in 1950.

TABLE VII

EXPORT CONTRACTS CONCLUDED DURING 1951 FOR SELECTED COMMODITIES

Month	Items: Cotton textiles (1 million sq. yds.)	Items: Iron & steel products (1,000 metric tons)
January	161	182
February	201	105
March	174	81
April	116	70
May	81	86
June	58	56
July	43	44
August	60	118
September	70	138
October	90	186
November	158	223
December	118	221
Total	1,330	1,510

However, with the stabilization of the textile market following the arrangement at the end of August for financing accumulated stock of goods, and with the conclusion of the Anglo-Japanese Financial Agreement at the end of the same month, an increasing number of trade enquiries were received from the sterling area, with the result that the amount of export contracts for textiles especially increased. Furthermore, with the progress in the rearmament programs of the free nations, exports of iron and nonferrous metals from Japan increased, especially to the sterling area and the open account countries, which had adopted a dollar-saving policy. As a result, the monthly exports recovered to the $100 million level from October onward (see Table I).

Total exports for 1951 amounting to $1,363 million slightly exceeded the export target of $1,333 million for the year. However, the prolongation of the lull in the world boom brought about a world-wide slump in the textile market, which slackened the export of textiles, especially cotton goods, from Japan (see Table VIII). Moreover, exports of machinery and other heavy goods, which at the beginning of the year had been expected to expand during the year, proved to be sluggish, with the exception of ships for export, owing to the comparatively high production cost of iron and steel and the out-moded equipment of the Japanese heavy industries. As stated in the first section of this article, the increase in the physical volume of exports was far less than that of imports. Compared with the more than 40% increase in the volume of industrial production during the year, the percentage increase in the physical volume of exports was not quite satisfactory.

TABLE VIII

COMMODITY PATTERN OF JAPANESE EXPORT TRADE IN 1951

(Percentage distribution of total value of validated exports)

Commodity	First quarter	Second quarter	Third quarter	Fourth quarter
Textiles:	49	50	48	41
Cotton goods	31	32	28	24
Chemical fibre goods	11	11	12	11
Iron & steel products	15	17	16	20
Nonferrous metals	3	3	3	7
Machinery	10	8	7	8
Foods & beverages	4	3	7	6
Nonmetallic minerals	4	4	5	5
Other exports	15	15	14	13
Total	100	100	100	100
(Amount: 1 million)	$351	$348	$336	$373

Increase in Trade Deficit

As already explained, the sluggishness of exports and the increase in imports during 1951 resulted in a substantial increase in the excess of imports over exports. This excess was not uniformly the same for all the settlement currency areas.

Processing trade, under which system Japanese imports food and industrial raw materials and exports finished products, has been the basic feature of Japanese foreign trade since before World War II. The fact that the postwar economic rehabilitation of Japan has been implemented by U.S. aid imports totalling $2.1 billion has further increased the important position held by the United States since before the war as the supplier of goods imported by Japan. U.S. aid imports totalling $1,593 million for the period September 1945 through 1949 accounted for some 67% of the total imports of Japan during that period. Although this percentage of U.S. aid imports fell to 37% in 1950 owing to (1) the reduction of the aid imports (a reduction of $174 million in 1950 from the 1949 figure) and (2) the expansion of Japanese private trade following the start of the Korean hostilities, imports from the United States and other dollar area still accounted for 57% of the total imports of Japan in 1950 and 1951.

On the other hand, the sterling area and the open account countries accounted for 60-70% of the total exports of Japan in 1950 and 1951.

Thus dependence on the dollar area for imports and dependence on the non-dollar area for exports have been the characteristic feature of Japanese foreign trade in the postwar period.

It will be seen from Table IX that the trade deficit with the dollar area and the trade surplus with the sterling area and open account area increased in 1951 over 1950, thus further accentuating the characteristic feature of Japanese foreign trade.

TABLE IX

JAPANESE EXPORTS AND IMPORTS IN 1950 AND 1951, BY SETTLEMENT CURRENCY AREA

(Amounts in millions of U.S. dollars)

	Exports		Imports		Trade surplus (+) or deficit (—)	
	1950	1951	1950	1951	1950	1951
Dollar area	294 (36%)	302 (23%)	557 (57%)	980 (57%)	(—) 263	(—) 678
Sterling area	244 (30%)	562 (43%)	222 (23%)	429 (25%)	(+) 22	(+) 133
Open account area	282 (34%)	433 (33%)	194 (20%)	316 (18%)	(+) 88	(+) 117
Total	820 (100%)	1,297 (100%)	973 (100%)	1,725 (100%)	(—) 153	(—) 428

Note: Since the figures for 1951 imports do not include a part of the U.S. aid imports made on a non-draft basis, it is not possible to make a strict comparison with the 1950 figures. However, the above table serves to indicate the general trend of imports.

This increase in the trade deficit with the dollar area was due to (1) a general increase in imports from that area, despite the 50% reduction in American aid imports, made possible by increased dollar earnings from invisible items, especially special procurement exports, (2) a change to the dollar area for the supply of iron ore, heavy coking coal, raw materials for oils and fats and industrial salt consequent upon the intensified restriction on the trade with Communist China from December 1950 onward and (3) sluggishness of exports to that area of raw silk, silk goods, canned goods and sundries.

With respect to the trade with the sterling area and open account area, there was a significant increase in trade surplus during the latter half of 1950, as shown in Table X. The following factors may be cited as responsible for this increase:

TABLE X

JAPANESE TRADE BALANCES IN 1951, BY SETTLEMENT CURRENCY AREA

(Amounts in millions of U.S. dollars)

Area	First Half 1951	Second Half 1951	Total
Dollar area	(—) 408	(—) 270	(—) 678
Sterling area	(+) 47	(+) 86	(+) 133
Open account area	(+) 28	(+) 89	(+) 117
Total	(—) 333	(—) 95	(—) 428

1. The Anglo-Japanese Financial Agreement revised at the end of August 1951 provided for (a) arbitration of the sterling-yen rate on the basis of the dollar-yen rate (Y360 per U.S. dollar) and the dollar-sterling cross rate ($2.80 per pound sterling) fixed by the Bank of England, (b) abolition of the dollar clause providing for the convertibility of Japanese sterling holdings in excess of the specified amount of £17 million and (c) the transfer of Hongkong from an open account area to the sterling area. When the unofficial rate for sterling fell to $2.40 with the worsening of the economic position of the United Kingdom consequent upon the prosecution of its rearmament program, the Japanese valuation of the pound sterling in accordance with the provisions of the Anglo-Japanese Financial Agreement turned out to be too high as compared with the currently accepted dollar value of the pound. As a result of this over-valuation of the pound, Japanese exports to the sterling area, especially to Hongkong, expanded from September onward, whereas imports from the sterling area declined.

2. In consequence of the withholding and/or suspension of stockpiling purchases of materials by the United States beginning with the first quarter of 1951, dollar-short countries adopted a policy of reducing imports from the dollar area and turned to Japan for such imports because payments may be made in pounds sterling that cannot be converted into dollars by virtue of the abolition of the dollar clause. Purchases by the open account countries also increased. Purchases of especially iron and steel and nonferrous metals by the United Kingdom, France, Western Germany and Sweden showed heavy increases under the impact of the world rearmament programs. On the other hand, imports from the sterling area and open account area remained slack because of the high yen prices of imports from these non-dollar areas under the official sterling-yen rate, and because of the decline in the exportable capacity of these areas.

Balance of International Payments

As shown in Table II, the visible trade deficit in 1951 amounted to $428 million. On the other hand, there was an invisible trade surplus of $763 million. As a result, despite the substantial increase in the visible trade deficit, the surplus of total international receipts over payments for the year amounted to $334 million, exceeding by $3 million the amount of $331 million earned in 1950.

It has been customary in the past for Japan to cover its visible trade deficit with invisible trade surplus. Viewed from this standpoint, the balance of international payments position of Japan in 1951 seems to have returned to its prewar pattern.

It should be pointed out, however, that United Nations spending in Japan amounting to $573 million (including $340 million of special procurement exports) and refund amounting to $137 million for advances made for GARIOA account constituted 75% of the invisible trade receipts of $939 million for 1951. Income earned by Japanese shipping and marine insurance companies amounted to only $11 million, accounting for only 1% of the total invisible trade, whereas in the prewar period it had accounted for more than 30%.

Special procurement exports, which comprised the major portion of the invisible trade receipts, declined from a monthly average of $21 million in the second half of 1950 to $18 million in the first half of 1951 owing to the change in the outlook of the war situation, decline in Japan's supplying capacity and comparatively high prices of Japanese products. In the second half of 1951, however, the monthly average sharply rose to $26 million, despite the proceedings in the cease-fire negotiations.

The distribution of special procurement supplies and services is shown in Table III. Textiles, metal products and machinery together accounted for 60% to 70 % of the total supplies. Supplies furnished in the second half of 1950 had comprised mostly goods related directly to fighting, such as steel column for making barbed wire, barbed wire, automotive vehicles, railway cars, gunny bags, etc. In 1951 supplies not directly connected with fighting, such as cotton cloth, truck tires, veneer boards, paper and ammonium sulphate, steadily increased as the cease-fire negotiations were carried on. In the service field, there were on the one hand substantial decreases in transport, warehousing and stevedoring services and on the other hand, considerable increases in construction and repair services. Thus changes have occurred in the commodity and service distribution of special procurement according as the Korean war situation changed.

As a result of the increase in invisible trade receipts from the dollar area, comprising especially special procurement

receipts, the invisible trade balance with that area in 1951 showed a surplus of $750 million. Afer covering the visible trade deficit with the dollar area, there remained a net dollar surplus of $119 million for the year, making the total dollar holdings $583 million as of Dec. 31, 1951 (see Table XI).

With respect to the invisible trade with the sterling area and open account area in 1951, receipts from the sterling area exceeded payments by $14 million, while payments to the open account area exceeded receipts by $1 million. Since there was a huge surplus in the visible trade with these areas, as already explained, the balances receivable from the sterling area and open account area increased during the year by $157 million and $78 million, respectively. As a result, the total foreign currency holdings of Japan as of Dec. 31, 1951 amounted to the huge sum of $914 million (see Table XI).

TABLE XI

FOREIGN CURRENCY HOLDINGS OF JAPAN

(Amounts in millions of U.S. dollars)

Currency	As of Dec. 31, 1950	As of Dec. 31, 1951
U.S. dollars	464	583
Pounds sterling	55*	212**
Surplus balance with open account area	41	119
Total	560	914

* £19 million converted at $2.80
** £76 million converted at $2.80

However, the fast accumulation of sterling holdings which are no longer convertible into American dollars cannot be easily redressed in view of Japan's current economic situation of expanding exports and sluggish imports. A forced importation of goods from the sterling area, despite their relatively high price, would cause domestic prices to rise. With the growing fear of the devaluation of the sterling, the question of solving the present excessive accumulation of sterling holdings has come to be seriously discussed.

The trade surplus with the open account area also has little prospect of being paid in cash in view of the dollar-short position of the open account countries. Since imports from these countries are also sluggish, the disposition of the trade surplus with these countries presents a problem as in the case of trade surplus with the sterling area countries.

Under such circumstances, Japan has recently been obliged to check exports of iron and steel and non-ferrous metals to such open account countries as Western Germany, France and Sweden. A similar action against exports to the sterling area has come to be demanded as a measure to cope with the excessive accumulation of sterling holdings. However, definite action has been postponed to 1952 in the absence of a satisfactory counter-measure because the sterling area and the open account area constitute the major export markets for Japanese goods.

Outlook for 1952

The greatest problem confronting Japan is how to attain a self-sustaining economy. Insofar as economic self-sustenance means the attainment of an equilibrium in the balance of payments position without foreign aid while guaranteeing to the people a certain level of living standard, the only way available to Japan, with its narrow domestic market and indigent natural resources, is to expand production through the expansion of the volume of foreign trade.

This expansion of the volume of foreign trade, especially the development of export trade, has been and will continue to be the pivotal point of the foreign trade policy of Japan, which has endeavored to steadily reconstruct its economy with the huge amount of aid imports furnished by the United States.

As already explained, Japanese foreign trade in 1951 further expanded over the preceding year and, despite the decrease in aid imports during the year, the balance of payments position continued to show a surplus, indicating the fortification of a self-sustaining economic structure.

However, there are various problems to be solved and the volume of foreign trade, especially export trade, is not yet sufficiently large. The satisfactory balance of payments position for 1951 was due in a large measure to the "windfall" income from special procurement exports. Furthermore, the expansion of exports during the year was largely due to the abnormal world situation known as the "Korean war boom." The geographic pattern of Japanese export trade has brought about excessive sterling holdings, which situation in turn has given rise to a tendency to check the expansion of the volume of Japanese foreign trade.

Meanwhile, with the prolongation of the lull in the world boom, the efforts of the United Kingdom to overcome

TABLE XII

GEOGRAPHICAL PATTERN OF JAPANESE EXPORTS AND IMPORTS IN 1950 AND FIRST NINE MONTHS OF 1951

(Amounts in millions of U.S. dollars)

Continent and country	Exports				Imports			
	1950		First 9 months 1951		1950		First 9 months 1951	
	Amount	%	Amount	%	Amount	%	Amount	%
Asia:	380	46	504	52	310	32	529	30
Indonesia	46	6	102	10	13	1	52	3
Pakistan	56	7	85	9	39	4	99	6
Singapore & Malaya	18	2	46	5	39	4	48	3
Hongkong	53	6	35	4	0.6	—	4	2
India	20	2	36	4	18	2	55	3
Thailand	43	5	34	4	43	4	49	3
Formosa	38	5	40	4	38	4	45	2.5
Communist China	20	2	5	0.5	40	4	20	1
Europe:	99	12	98	10	41	4	140	8
United Kingdom	26	3	37	4	6.5	0.7	25	1
France	10	1	13	1	5	0.5	21	1
West Germany	10	1	9	1	6.5	0.7	12	0.7
North America:	214	26	158	16	472	48	782	44
U. S. A.	179	22	138	14	427	44	563	32
South America:	31	4	63	6	39	4	106	6
Argentina	21	2	38	4	31	3	52	3
Africa:	71	9	85	9	27	3	80	4
Union of South Africa	30	4	26	3	—	—	—	—
Egypt	—	—	—	—	12	1	64	3.6
Oceania:	26	3	67	7	84	9	145	8
Australia	23	3	57	6	76	8	123	7
Total	820	100	975	100	973	100	1,782	100

the crisis of the pound have been implemented by a policy of drastic curtailment of imports, which policy is fraught with the possibility of reducing the overall scale of world trade.

In the face of such a situation and in view of the necessity of further expanding its foreign trade as a measure for the attainment of a self-sustaining economy, it is unavoidably necessary for Japan to fortify the competitive power of its export industries and to adjust the geographic distribution of its foreign trade (that is, promote exports to the dollar area and imports from the sterling area). It is expected that the foreign trade policy of Japan in 1952 will be implemented chiefly along these lines.

For the fortification of the competitive power of Japanese export industries, it will be necessary to carry out above everything else the modernization of equipment so as to reduce the cost of production. This modernization, however, cannot be carried out within a short period of time in view of the still insufficient recovery of Japanese industries from the heavy wartime loss of accumulated capital.

As to the promotion of imports from the sterling area, so long as the present sluggishness of Japanese imports from this area is largely due to the high import prices of sterling area goods under the current disparity of the sterling exchange rate, there is a little prospect of success in promoting imports from this area unless the dollar-sterling rate recovers or, more fundamentally, unless the convertibility of sterling into dollar is restored. The restoration of convertibility, however, will depend largely upon the policy of the United States.

As to the promotion of exports to the dollar area, much expectation is placed on exports in the form of American-Japanese economic cooperation, but in this case Japanese prices will have to be lowered in order to be competitive. Apart from special procurement exports for the Korean war, it is hoped that Japan will be able to cooperate in the Southeast Asia Development Program of the United States.

Thus it may be said that the outlook for Japanese foreign trade in 1952 does not permit of optimism and much will depend on the direction of the world policy of the United States.

THE WOOL INDUSTRY OF JAPAN

History of Development

The development of the Japanese wool industry in the prewar period may be roughly divided into three periods, namely, (1) incipient period, (2) ascendency period following the Sino-Japanese War and (3) development period following World War I.

With the adoption of western-style military uniforms on the occasion of the reorganization of the Japanese military system following the Meiji Restoration (1868), a program was drafted for achieving self-sufficiency in wool. Pursuant to this program, sheep pastures were established in 1875, followed by the establishment in 1879 of the government-operated Senju Woollen Mill, which was the beginning of the wool industry in Japan. Sheep raising, however, proved to be a failure in Japan owing to an unfavorable climate and other natural conditions and also technical inexperience in sheep raising. Despite the development of the domestic wool industry since then, sheep raising has made no significant progress so far owing chiefly to unfavorable natural conditions.

Meanwhile, though several privately-operated woollen mills were established subsequent to the above mentioned-government operated mill, the domestic wool industry failed for some time to build up a solid foundation as an industrial enterprise. Up to the outbreak of the Sino-Japanese War in 1894, the industry was still in an infant stage. Moreover, production was confined to woollen yarn and such woollen fabrics as woollen uniforms, flannels and blankets. Worsted yarn and fabrics were not produced at all during this period.

However, with the creation of a large demand for wool fabrics for military use consequent upon the outbreak of the Sino-Japanese War (1894-95) and the Russo-Japanese War (1904-05), Japanese industrialists came to take an active interest in wool manufacturing. (The Nippon Keori K.K., the largest wool manufacturing company in Japan, was established in 1896). Furthermore, the civilian demand for worsted goods also increased on account of the domestic vogue for muslin after the Russo-Japanese war. Under the circumstances, the manufacture of worsted yarn and fabrics was undertaken in addition to that of woollen yarn and fabrics. During this time the Japanese wool industry passed its incipient period and entered an ascendency period in which the foundation was built for its subsequent development. Nevertheless, the domestic worsted wool industry of that time had to depend on imports for the supply of tops and yarn, its operations being limited to spinning and weaving processes subsequent to topping. It was not until 1911 that integrated processes in worsted yarn spinning from raw wool down to yarn were undertaken in Japan for the first time. In that year the Nippon Keori K.K. installed topping equipment in its Kakogawa Mill (Hyogo Prefecture).

The outbreak of World War I at a time when the foundation for the Japanese wool industry was being laid pushed this industry into a period of development. With the outbreak of that war, the production of wool products declined in England, Germany and France, which were then the principal producers of wool products, whereby Japan not only escaped the pressure of imports from these countries but also received a large amount of orders from Russia. At the same time there was an increase in the domestic demand for wool products in reflection of the war-boom prevailing at that time. All of these factors contributed to the brisk activity of the wool industry of this country. In this period there took place a great expansion of worsted yarn spinning equipment on the one hand and a sharp decrease in the import of top wool on the other hand.

Though the industry was visited by slumps during the postwar depression that began in 1920 and following the Great Kanto Earthquake of 1923, readjustment and rationalization of the industry were carried out during this time and tariffs were also levied on imports of wool manufactures to protect domestic producers. As a result of these measures, the industry was gradually coming out of the slump when the outbreak of the Manchurian Incident in 1931 provided an opportunity for expansion of production. The increased demand for military supplies, coupled with the depreciation of yen exchange following the reimposition of the gold export embargo by Japan in that year, rendered it possible for the Japanese wool industry to export wool products instead of importing them, which was the case theretofore. The several years before and after 1935 may be called the golden age of the Japanese wool industry, when both its equipment capacity and production reached an all-time high. It is significant to note that during this period the cotton spinning companies also ventured into the field of wool spinning.

This golden age, however, did not last long, for the production steadily declined thereafter on account of the decrease in the import of raw wool from Australia, the principal source of wool imported by Japan at that time. With the further aggravation of the war situation, the industry was obliged to effect readjustments, added to which heavy damage was sustained during the last war, as a result of which the scale of the industry was greatly reduced, as described hereinafter.

From the foregoing account it can be seen that the Japanese wool industry developed chiefly under the impetus provided by military requirements plus civilian demand for muslin and other wool manufactures. Though this industry resembles the Japanese cotton spinning industry in respect to its dependence on foreign sources for the supply of raw materials, it differs from the other in that, whereas the latter industry has developed mainly as a processing trade, this industry has developed chiefly to fill domestic requirements, owing partly to its later inception and development than the other. By the time of the Sino-Japanese War and the Russo-Japanese War, which occurred during the period of ascendency of the Japanese wool industry, the Japanese cotton industry had already entered a stage where it was ready to enter the export field, while the imports of foreign-made cotton goods were steadily declining. During the golden age of the wool industry before and after 1935, the cotton textile industry was exporting some 70% of its total production, which placed Japan first among the cotton goods exporting countries of the world. On the other hand, the export of wool manufactures from Japan at that time accounted for only about 15% of the total production of wool manufactures, for the Japanese wool industry had just turned to exportation of its products. Before it could test its strength in the international market, however, the industry was obliged to effect retrenchment because of the aggravation of the war situation. The situation of the industry has further deteriorated in the postwar period because of the loss of markets in China (including Manchuria) and Korea, which were the principal export outlets for Japanese wool manufactures in the prewar period.

Equipment Capacity

In its prewar heyday, the Japanese wool industry possessed total equipment of 1,628,000 spindles (calculated from mules; the same hereinafter) for worsted yarn spinning (1939), 733 sets for woollen yarn spinning (1940) and 30,929 sets of looms (1939). Ranking next to Britain, U.S.A., France and Germany in the consumption of raw wool, Japan had become by then one of the leading producers of wool manufactures. However, as the result of the wartime delivery (for scrapping) and transfer of equipment and heavy war damage sustained during the last war, there remained at the war's end (1945) only 397,000 spindles for worsted yarn spinning, 425 sets for woollen yarn spinning and 10,400 sets of looms, showing a reduction of equipment to 24%, 58% and 34% of their respective prewar capacities. The comparatively high percentage for the remnant equipment for woollen yarn spinning as compared with that for worsted yarn spinning was due to the former's smaller percentage of wartime delivery in consideration of the kind of available raw material and the kind of wool manufactures desired for military purposes.

For some time in the postwar period the outlook for the wool industry was unpredictable in view of postwar economic confusion and the uncertain prospect for the importation of raw wool. It was not until August 1947, when SCAP authorized, as an interim target, the rehabilitation of equipment up to 733,000 spindles for worsted yarn spinning and 815 sets for woollen yarn spinning, that the outlook for the industry was clarified. In order to achieve this interim target, speedy action was taken to effect rehabilitation of equipment.

When this interim target was about to be achieved, SCAP issued in July 1950 a memorandum abolishing the restriction on the equipment of the wool industry. Thanks to favorable conditions, much progress was made in the expansion of equipment, with the result that by October 31, 1951 the total equipment consisted of 900,000 spindles for worsted yarn spinning, 1,143 sets for woollen yarn spinning and 19,212 sets of looms, showing a recovery to 55%, 156% and 62% of their respective prewar capacities (see Table I).

TABLE I

CHANGES IN THE EQUIPMENT CAPACITY OF THE JAPANESE WOOL INDUSTRY

(Selected Years)

At end of	Worsted yarn spinning equipment (spindles*)	Woollen yarn spinning equipment (Carding machines)	Wool weaving equipment (Looms)
1930	506,246	381	20,803
1935	1,121,207	638	28,766
1939	1,628,554	725	30,929
1940	1,628,554	733	28,757
1945	397,724	425	10,400
1947	471,470	476	12,062
1949	697,991	812	14,456
1950	776,792	950	17,456
Oct. 1951	900,385	1,143	19,212

* Calculated from mules.

The significant postwar expansion of woollen yarn spinning equipment to 156% of the prewar capacity was due to several factors. Firstly, the domestic demand was active even for low-grade woollen goods because of the extreme shortage of clothing material in the immediate postwar period. Secondly, various kinds of raw materials could be used in woollen yarn spinning, in contrast to the limited source of raw material for worsted yarn spinning. Thirdly, whereas the equipment for worsted yarn spinning is large and hence requires a comparatively large amount of capital investment, the equipment for woollen yarn spinning is simple and hence requires a comparatively small amount of capital investment.

However, the further expansion of the equipment for woollen yarn spinning presents a problem under the existing condition of an adequate supply of good-grade worsted goods, thanks to the satisfactory import of raw wool in recent months, and of very small prospects for exports to China (including Manchuria) and Korea, which were the principal export outlets for woollen goods in prewar days. Although the concurrent operation of woollen yarn spinning by worsted yarn spinners may be justified from the standpoint of the economical use of raw materials, it appears that stiff competition among the exclusive woollen yarn spinners has given rise to self-examination on their part with regard to the excessive equipment for woollen yarn spinning.

Production

As shown in Table II, during the prewar heyday of the Japanese wool industry Japan annually imported 700,000 to 800,000 bales of raw wool, from which 130 to 150 million pounds of wool yarn and about 300 million square yards of wool fabrics were produced annually. As to the proportions of the production of woollen yarn and worsted yarn, it is noted that the percentage for woollen yarn gradually increased from 1938 onward, which fact was accounted for by the growing difficulty of importing raw wool and by the increasing demand to meet military requirements. At the war's end only 174,000 bales of raw wool, representing stock carryover intended for military use, were available to the industry. As the postwar importation of raw wool was considerably delayed as compared with the resumption of raw cotton importation, the spinning of worsted yarn was barely maintained during 1945-48 at 20-30% of capacity by steadily exhausting the wartime carryover. During these years production was cen-

tered on woollen yarn by the use of various kinds of fibres as raw materials. However, with the resumption of the importation of raw wool from 1949 onward, the production of worsted yarn also has increased sharply. For the 1951 calendar year the total production of wool fabrics is estimated to have reached approximately 110 million pounds and 110 million square yards, respectively, showing a recovery to about 70% and 35%, respectively, of their prewar levels. If we look at the per capita annual consumption of wool yarn and fabrics, we find that consumption decreased from the peak of 1.93 pounds in 1936 to 0.19 pound in 1945. During the early postwar years up to and including 1949 the annual consumption was kept down at the low level of 0.2 to 0.4 pound. The consumption was raised to 0.67 pound during 1950. Consumption during 1951 is estimated to have reached approximately 1.1 pounds, which indicates a recovery to about 60% of the prewar peak consumption.

TABLE II

JAPANESE PRODUCTION OF WOOLLEN YARN AND WORSTED YARN AND WOOL FABRICS

(Selected Years 1930-51)

Calendar year	Wool Yarns (1,000 lbs.)			Wool Fabrics (1,000 sq. yds.)		
	Worsted	Woollen	Total	Worsted	Woollen	Total
1930	*	*	58,556	*	*	229,316
1935	90,503	42,000	132,503	*	*	322,539
1936	103,172	52,000	155,172	*	*	316,935
1938	62,483	56,000	118,483	*	*	265,967
1940	38,254	50,800	89,054	*	*	75,662
1945	4,398	9,530	13,928	*	*	5,784
1946	6,988	21,188	28,176	*	*	22,938
1947	6,144	20,083	26,227	6,269	14,861	21,130
1948	4,372	19,947	24,319	6,800	18,606	25,406
1949	13,045	23,241	36,286	12,778	21,523	34,301
1950	33,069	33,524	71,593	38,043	40,939	78,982
Jan.-Oct. 1951	40,464	54,076	94,540	45,191	48,200	93,391

Though the extreme shortage of wool manufactures that had prevailed during the wartime and early postwar years has been considerably ameliorated in the recent period, the consumption still remains fairly low as compared with the prewar level and the present consumption in other countries. Because of wear and tear during the wartime, difficulty of replenishing the supply owing to wartime and postwar shortages of wool imports and the postwar Japanese trend toward the adoption of western-style clothing, there is a big potential domestic demand for wool manufactures.

Besides the increase in production as a whole made possible by the favorable turn in the raw material situation, there has been an increase in the production of all-wool goods and an improvement in the new-wool mixing rate for mixed yarn. During the postwar control days, all-wool goods were produced for export only, while the new-wool mixing rate for wool manufactures intended for the domestic market was 40% for worsted yarn and 20% for woollen yarn even during the closing period of the control days when the new-wool mixing rate was relatively high as compared with the rate in force in the earlier period. With the abolition of control in January 1950, all-wool goods have gradually appeared on the domestic market. A study of the ratio of all-wool goods to the total production of wool manufactures in recent months shows that the ratio has increased from 38% in January 1951 to 66% in September 1951 for worsted yarn and from 10% to 39% during the same period for woollen yarn. The average new-wool mixing rate for mixed yarn has also improved to about 60% for worsted yarn and to about 40% for woollen yarn.

Structure of the Industry

Japanese wool manufacturers may be divided into two groups, namely, (1) large manufacturers who carry on integrated operations from spinning, weaving, dyeing and finishing, and (2) small and medium manufacturers who carry on weaving chiefly. The situation of these two groups as of October 31, 1951 is outlined below.

There are 33 manufacturers of worsted yarn, with a total spindleage of 900,000 spindles, or an average of 27,000 spindles per manufacturer. Seven manufacturers with a spindleage of 30,000 spindles or more each account for 75% of the total spindleage. Thus worsted yarn spinning is carried on almost wholly by large spinning companies. Of the 33 manufacturers, five carry on concurrent operations in cotton spinning, while one carries on concurrent operations in hemp spinning. With the exception of seven, all of the 33 possess woollen yarn spinning equipment also, which enables them to make efficient use of the waste derived from worsted yarn spinning. An outline of the 10 principal worsted yarn spinning companies is given in Table III.

TABLE III

AN OUTLINE OF THE PRINCIPAL JAPANESE WORSTED YARN SPINNING COMPANIES

(As of October 31, 1951)

Name	Capital stock (Y1 million)	Worsted yarn equipment (Spindles)	Woollen yarn equipment (Carding machines)	Output of worsted yarn in October 1951 (lbs.)	Operations other than wool spinning
Nippon Keori K.K.	640	197,606	82	772,225	None
Dai Nippon Boseki K.K.	2,100	126,208	59	505,363	Cotton spinning and weaving, silk spinning and rayon manufacturing.
Toyo Boseki K.K.	2,150	110,858	56	510,469	Cotton spinning and weaving, silk spinning, rayon manufacturing and pulp manufacturing.
Kanegafuchi Boseki K.K.	1,780	82,397	69	382,658	Cotton spinning and weaving, silk spinning, silk reeling, hemp spinning and weaving, and rayon manufacturing.
Daito Boshoku K.K.	300	65,108	28	263,700	None
Toa Boshoku K.K.	300	64,813	47	429,919	None
Kurashiki Boseki K.K.	1,000	37,556	16	203,916	Cotton spinning and weaving and staple fibre spinning
Chuo Keori K.K.	105	20,686	13	151,727	None
Daido Keori K.K.	200	20,424	11	82,818	None
Toyo Sen-i K.K.	300	20,254	4	46,944	Hemp spinning and weaving and cotton spinning

On the other hand, there are 227 manufacturers engaged in woollen yarn spinning, with a total of 1,143 spinning sets, or an average of 5 sets per manufacturer. Since the equipment required for woollen yarn spinning is simple, the great majority of the manufacturers are small and medium manufacturers. In many cases they carry on wool weaving operations also.

Wool weaving is carried on by 1,646 manufacturers, with 19,212 sets of looms. They may be divided into (1) large manufacturers who concurrently carry on woollen yarn spinning and (2) small and medium manufacturers who are exclusively engaged in wool weaving. About 20% of the total looms are owned by the former group and the remainder

by the latter group. According to a survey conducted in February 1951, there were 1,282 mills having 10 looms or less each (27% of the total), 323 mills having 11-50 looms each (36%), 39 mills having 51-100 looms each (14%) and 29 mills having 101-500 looms each (23%). Mills having less than 51 looms each accounted for 95% of the total number of mills and 63% of the total number of looms. Thus small and medium mills constituted a predominant proportion of the wool weaving industry.

The wool weaving division of the large wool spinning and weaving companies produce chiefly serge and plain fabrics which can be mass produced. On the other hand, small and medium manufacturers specializing in weaving produce mainly special fabrics and other fabrics whose color designs are not suited for mass production. They also weave fabrics for account of the large spinning companies on a contractual basis. Thus it may be said that the two groups have a complementary relationship to each other in wool weaving.

Turning to the geographical distribution of wool weaving mills, we find that nearly 60% of the mills are located in Aichi Prefecture, followed by Osaka and the Kanto areas.

The dyeing and finishing of wool fabrics are done by specialists on a contractual basis, besides by those manufacturers who carry on both spinning and weaving operations.

Supply of Raw Material

Japan is almost wholly dependent on foreign sources for the supply of raw wool. According to Table IV showing the statistics of past importation of raw wool, up to 1936 more than 90% of Japanese import of raw wool was supplied by Australia, but thereafter raw wool import from South Africa, South America, Manchuria and China increased in reflection of the purchase area diversification policy adopted by Japan following the trade agreement negotiations between Japan and Australia in June 1936. In the postwar period a steady increase in raw wool import has taken place from 1949 onward. The total import of raw wool in 1951 is estimated to have reached 420,000 bales (394,000 bales were imported during the first 10 months), being about 60% of the average prewar level. Australia has again become the principal source of raw wool imported by Japan in the postwar period.

TABLE IV

VOLUME OF RAW WOOL IMPORTS INTO JAPAN, BY SOURCE SELECTED YEARS 1930-50

(in bales of 300 lbs. each)

Year	Australia	New Zealand	South Africa	United Kingdom	South America	Others	Total
1930	377,028	260	93	1,379	6,329	2,501	387,590
1935	767,565	24,254	8,623	2,626	13,702	7,484	824,254
1936	519,764	79,758	62,669	3,776	32,815	30,389	729,171
1937	327,642	131,578	248,451	2,779	65,306	92,616	868,372*
1940	154,582	0	61,803	0	73,634	153,795	444,084
1943	0	0	0	0	0	26,157	26,157
1945	0	0	0	0	0	0	0
1946	0	0	0	0	0	0	0
1947	7,763	0	0	2,466	0	10,229	
1948	25,406	342	18,016	975	22,750	297	67,786
1949	112,970	17,378	12,163	1,949	2,926	168	147,554
1950	211,068	14,457	7,560	5,061	26,762	528	265,436

* Highest prewar record.

The 1952 raw wool import program drafted by the Economic Stabilization Board calls for the import of 550,000 bales during the fiscal year. Although no prediction can be made as to whether this is possible in view of such indefinite factors as the future world situation, the balance of international payments position of Japan and the trend of raw wool price, the prospect for the importation of raw wool appears bright in view of the accumulation of large sterling balances by Japan in recent months.

So far in the postwar period Japanese buyers have not been able to make purchases of raw wool at the source. However, the disadvantage of being unable to make proper selection of grade under the government import system was remedied when this system was changed in January 1951 to the present private import system.

Domestic sheep raising is confined to Hokkaido and the Tohoku district (northeastern Japan). The number of sheep now being raised is estimated at about 360,000 heads, from which estimated 2,461,000 pounds of wool (about 8,200 Australian bales) were obtained. As this supply is equal to only about 2% of the total consumption of raw wool in this country, the domestic production of raw wool is of small significance.

Export of Wool Manufactures

As explained already, the Japanese wool industry developed in the prewar period with the domestic market as the principal outlet for its products. There was hardly any export outlet. In the postwar period also, though the industry has made satisfactory recovery thanks to the increased import of raw wool after 1949 and the good progress in the rehabilitation of equipment, the export of wool manufactures has remained inactive owing to the large domestic demand and the loss of the principal prewar markets.

To be specific, according to Table V, the average annual export of wool manufactures during 1933-39, when export was made active, was 7,120,000 pounds of wool yarn and 35,964,000 square yards of wool fabrics, being 5.4% and 13.5%, respectively, of their average annual domestic outputs in these years. In 1949, the peak postwar year so far, the export amounted to 1,942,000 pounds of wool yarn and 3,630,000 square yards of wool fabrics, being only 27% and 10%, respectively, of their prewar export volumes, and 5.4% and 10.5%, respectively, of their total domestic outputs in 1949. Despite the increase in their production in 1950 and 1951, their export has remained very sluggish.

TABLE V

JAPAN'S EXPORTS OF WOOL YARN AND WOOL FABRICS POSTWAR YEARS COMPARED WITH PREWAR AVERAGE

Year	Wool yarn (1,000 lbs.)	Wool fabrics (1,000 sq. yds.)
1933-39 average	7,120	35,964
1945	0	105
1946	0	332 *
1947	399	1,249 *
1948	285	2,134 *
1949	1,942	3,630
1950	759	3,004
First 9 months, 1951	761	1,588

* Thousand long yards.

Sources: Textile Year-book, 1952 Edition, for figures up to 1950; Survey by the Wool Spinning Association for 1951 figures.

The loss of the principal prewar export markets is the main factor responsible for this sluggishness of wool export. In the prewar period Manchuria, Korea and China were the principal export markets for woollen fabrics, while India and South Africa were the principal markets for worsted fabrics. During the 1933-39 period Manchuria, Korea and China accounted for 49% of the total wool manufactures exported by Japan, while India and other Asiatic countries accounted for 29% and South America 13%.

In the postwar period, as shown in Table VI, the effect of the loss of the export markets in China is conspicuously reflected. Export to China has been limited to entreport trade through Hongkong. In 1948 Hongkong and India constituted the principal export markets for Japanese wool manufactures, but in 1950 export to these two areas decreased, with the Union of South Africa taking their place. In 1951, however, wool export to the Union of South Africa appears to have fairly decreased.

TABLE VI

JAPAN'S POSTWAR EXPORTS OF WOOL YARN AND WOOL FABRICS, BY DESTINATION

Destination	Wool yarn (1,000 lbs.)				Wool fabrics (1,000 sq. yds.)			
	1947	1948	1949	1950	1947*	1948*	1949	1950
Hongkong	0	49	32	0	674	1,264	1,994	382
India	0	72	1,317	195	0	414	741	0
Egypt	0	0	54	0	0	192	432	0
Union of South Africa	0	21	0	**	0	83	251	1,646
U.S.A.	0	23	56	**	2	66	54	268
United Kingdom	0	120	46	0	0	4	0	14
China	0	0	33	**	340	0	24	**
Korea	399	0	369	192	223	0	2	217
Others	0	0	35	372	10	111	132	477
Total	399	285	1,942	759	1,249	2,134	3,630	3,004

* For the years 1947 and 1948 wool fabrics are measured in terms of long yards instead of square yards.

** Less than 1,000 pounds or 1,000 square yards.

It will be seen that the postwar markets for Japanese wool manufactures have been very diversified and unsteady in geographical distribution. The volume of export also has been small as compared with the prewar volume. Though this has been partly due to the postwar restriction on the importation of raw wool and on the rehabilitation of wool manufacturing equipment, the major responsible factor has been the loss of the China market. Another factor has been the greenhouse atmosphere of the domestic market. The import of wool manufactures into this country gradually declined after 1930 and has been completely shut out in the postwar period, with the result that domestic wool manufactures have had no chance to compete with foreign products in both price and quality. Moreover, as the import of raw wool was very small after 1942 up to 1949, when its import was undertaken on a full-dress scale, the postwar domestic demand for wool manufactures has been very large, so much so that the output could be absorbed entirely by the domestic market, regardless of the low quality and comparatively higher price of the product as compared with foreign-made products. Under such circumstances, the domestic wool industry enjoyed good times. Though this situation was unavoidable under the imbalance of supply and demand in the postwar period, it cannot be denied that this has tended to delay the efforts to improve the quality of products and to lower their production cost.

Of late, however, with the increase in production, on the one hand the consumers' selection of price and quality has become stricter than ever, while on the other hand there has been a strong demand that export of wool manufactures should be promoted as a measure to achieve a self-sustaining economy. Whereas the other textile industries of Japan are playing an important role in promoting the exports of this country, the wool industry alone has depended solely on the domestic market, even in the face of a large deficit in the trade balance for this industry (see Table VII). This situation has called for a deep self-reflection on the part of this industry and strenuous efforts are being made to promote exports of wool manufactures by improvement of their quality, reduction of their cost of production and cultivation of new markets abroad.

TABLE VII

JAPAN'S TRADE BALANCE FOR VARIOUS TEXTILE RAW MATERIALS AND PRODUCTS, 1950 COMPARED WITH 1949

(Amounts in millions of yen)

Exports		Imports		1950	1949
Item	Amount	Item	Amount	Net export (+) or import (—) balance	Net export (+) or import (—) balance
Cotton goods	85,860	Raw cotton	93,917	(—) 8,057	(+) 12,560
Wool goods	3,998	Raw wool	19,692	(—) 15,694	(—) 4,448
Chemical fibre goods	23,990	Pulp	2,089	(+) 21,901	(+) 6,463
Hemp goods	751	Hemp, etc.	6,088	(—) 5,337	(—) 5,553
Raw silk and silk goods	25,331	—	)	)	)
Others	3,619	Others	5,874)	(+) 23,076)	(+) 8,392)
Total	143,549	Total	127,660	(+) 15,889	(+) 17,414

THE COPPER INDUSTRY OF JAPAN

By T. Matsumoto

I. Development Before and After the War

Prior to the war, the annual copper ore production in Japan was 60,000 tons in terms of metal contents. During the base period 1932-36, the average annual output of electrolytic copper amounted to 71,400 tons. With increasing military demands came a corresponding rise in ore imports and an expansion of refining facilities, and in 1940 production of electrolytic copper had reached the high figure of 99,800 tons. Despite the loss of imports from Chile and Canada, increased production of domestic ore during the war period at the sacrifice of both resources and plant resulted in a record-breaking 111,400 tons of electrolytic copper for 1943. As a result of such reckless overworking, mines neared exhaustion levels and although war damages suffered by the refineries were rather small, production of electrolytic copper showed a marked decrease in the last phases of the war.

Post-war refining facilities have been maintained at approximately prewar levels, and since 1948, with an expansion of scrap copper refining, production of electrolytic copper has tended to exceed 1932-36 level. However, reckless mining operations have had a telling effect on ore resources, the backbone of the industry, and thus have greatly weakened

Production of Electrolytic Copper

(in 1,000 tons)

	Japan (A)	World total (B)	A/B
1932-36 (av.)	71.4	1,244.0	5.7%
1937	86.7	2,240.0	3.9
1938	95.2	1,920.0	4.8
1939	96.1	2,040.0	4.7
1940	99.8	2,330.0	4.3
1941	98.7	2,470.0	4.0
1942	102.2	2,700.0	3.8
1943	111.4	2,570.0	4.3
1944	110.2	2,400.0	4.6
1945	40.2	2,050.0	2.0
1946	23.3	1,670.0	1.4
1947	36.8	2,090.0	1.8
1948	54.3	2,120.0	2.6
1949	74.0	2,080.0	3.6
1950	84.8		
1951	91.0		

Note: 1) Figures for Japan are based on statistics compiled by the Ministry of International Trade and Industry.
2) World total figures indicate total smelter production (incl. electrolytic copper) from domestic and imported ore.

the industry as a whole. Copper producers have pooled their efforts in the interests of rehabilitating these overworked mines but the very nature of the problem necessarily calls for a long-range program. Progress has accordingly been slow and indications are that considerable time must elapse before copper mining is to reach its pre-war level.

Mining activity was sluggish directly after the war and the copper industry was forced to make a drastic reduction in scale of plant utilization. Output of ore was only 16,600 tons for 1946 and 21,500 tons for 1947. Production of electrolytic copper followed the same trend with 23,300 tons for 1946 and 36,800 tons for 1947. At the same time, copper producers were being faced with the greatest difficulties, with the paradoxical situation of an oversupply in the electrolytic copper market caused by the flooding of markets by former military stocks. However, the establishment of government subsidies in 1947 reduced to a great extent the difficulties of management. Beginning 1948, supplies of copper scrap and slag from war damaged areas and former military sources became available in great quantities for smelting and provided the raw material for a greatly increased production of electrolytic copper. Production of electrolytic copper reached 54,300 tons for 1948 and 74,000 tons for 1949, already topping 1932-36 levels. However, this high production rate was brought about by the increased supply of copper scrap and slag, an abnormal situation, and cannot properly be considered as an indication of the recovery of the copper industry as a whole. Copper producers supported by the subsidy tried desperately to rehabilitate the worn-down mines but despite these efforts ore output for 1949 was only 32,700 tons, about half of the prewar level.

Following the enforcement of the economic stabilization policy, the domestic demand showed a drastic decline from the spring of 1949 and refineries again found difficulty in the sale of their products. To make matters worse, the subsidy was abolished at the end of September. In May, the government reopened copper metal exports and thereby rendered secure sales on the basis of export cost accounting. However, the extremely low level of international prices at that time posed critical problems for the copper industry, which as yet had not fully recovered from the efforts of a long war. Producer's selling price immediately after the abolition of the subsidy was Y126,000 per ton as against the former official producer's price of Y181,060 per ton, thus rendering unprofitable the production of electrolytic copper from ore, the cost of which was approximately Y180,060 per ton. Refiners thus turned toward increased production of still profitable copper from scrap and slag. Even under these conditions, however, the production of ore showed an increase. This increase was the outcome of desperate efforts in the direction of cutting down cost prices by increasing mine output and improving the quality of crude ore and concentrates. Many small mines whose scale of operation did not permit this reduction of cost price were forced either to suspend operations or to close down permanently. It is noteworthy, however, that industrial rehabilitation and rationalization had come to be recognized as an increasingly critical problem and that the industry under government assistance was redoubling its efforts toward realizing these objectives.

Price Movement of Electrolytic Copper

	Japan		U.S.A.	
	Producers' selling price (per ton) yen	Free market price (per ton) yen	New York market price (home-produced copper) (per pound) cent	(per ton) yen
1949				
June	o. 181,060 (c. 102,014)	78,000	16.00	127,284
Sept.	,,	90,000	17.625	139,881
Oct.	126,000	108,000	,,	,,
Dec.	131,000	122,000	18.50	147,126
1950				
Mar.	132,500	128,000	,,	,,
June	162,000	160,000	22.50	178,572
Sept.	210,000	220,000	24.50	194,446
Dec.	225,000	255,000	,,	,,
1951				
Mar.	250,000	285,000	,,	,,
June	300,000	325,000	,,	,,
Sept.	324,000	318,000	,,	,,
Dec.	,,	328,000	,,	,,

Note: O. Official producers' price
C. Official consumers' price

II. Trend after 1950

The enforcement of the economic stabilization policy had adverse effects on the copper industry. However, from the beginning of spring 1950, foreign market conditions, which had been exercising a depressive influence on the copper industry, took a sudden upward turn. The outbreak of the Korean war augmented this trend in both foreign and domestic markets. The Japanese copper industry naturally shared in this development and has come to show brisk activity, while rehabilitation and rationalization following the Korean war has shown corresponding progress.

Production: At the start of 1950, production of electrolytic copper continued at the level of the preceding period, production of copper from ore still remaining inactive. However, with the depletion of accumulated stocks and the sudden favourable turn in market conditions came a marked aggressiveness in the efforts of refiners toward increased production of both ore and scrap copper. Production was gradually stepped up and already in the second six-month period of 1950 refineries had practically reached their operational capacity. Under these conditions the production for 1950 reached 84,700 tons. Supported by favourable market conditions brisk activity in the production and sale of copper continued over to 1951 and even the growing seriousness of power shortage from the end of September failed to cause a decline in production as efforts were made to maintain the stability of plant utilization at the sacrifice of other branches of the industry. Production for 1951 thus reached 90,950 tons or a 27% increase over the prewar base period figure.

However, considering in detail the production figures in the following table classified by type of raw material used, it will be observed that 54.5% of the total 1951 production was produced from scrap copper. As a result of the low ore output of 39,300 tons for 1950 and 42,300 tons for 1951, production of copper from ore for 1951 has been kept down to only 41,400 tons. Although, following the outbreak of the Korean war, mine operations have returned to normal state and noteworthy advances have been made in the rehabilitation of natural resources, the substantial power of mines at the present is far from what it was prior to the great war and it is difficult to see any possibility of a rapid recovery in ore

output. In these circumstances lies the present instability of intensified plant utilization by refineries and the grave anxiety engendered by the prospect of depleted scrap supplies with a consequent decline in the production of electrolytic copper.

Production of Crude Ore and Electrolytic Copper

(in tons)

Year	Ore (metal content)	Electrolytic copper From ore	%	From scrap	%	Total
1946	16,603	20,726	(89.1)	2,547	(10.9)	23,272
1947	21,468	28,816	(78.2)	8,000	(21.8)	36,816
1948	25,711	29,120	(54.7)	25,214	(45.3)	54,334
1949	32,741	35,693	(48.0)	38,335	(52.0)	74,038
1950	39,322	37,178	(43.9)	47,558	(56.1)	84,737
1951	42,287	41,379	(45.5)	49,571	(54.5)	90,950

Note: Figures in brackets represent percentage to total production.

Turning to the recent raw material situation, it is observed that at the end of October 1951, raw material stocks on hand at smelters were 7,100 tons of ore and 21,000 tons of copper scrap and slag (copper equivalent). On the basis of consumption for the July-October period, these figures would represent a potential supply of 1.7 months for ore and 5.0 months for scrap and slag and would thus constitute an ample reserve as far as passing needs are concerned. However, it should be noted that scrap and slag stocks have been decreasing since the end of May 1950 when the peak of 28,100 tons was reached and that this downward movement has been accelerated from the end of August 1951. For the two months of September and October the decline totalled no less than 4,900 tons. It is evident that this downward trend has been brought about by depletion of scrap and slag market stocks. It is estimated that at the termination of the war there was on hand approximately 600,000 tons of copper scrap and slag derived from war-damaged areas and former military sources. This supply was drawn upon on a large scale by secondary-product manufacturers and helped sustain the post-war electrolytic copper industry. The rate of decrease was therefore very rapid and the stage has now been reached where it is considered that market stocks have hit bottom. Prospects for future procurement of copper scrap are gloomy and it is anticipated that consumption of existing stocks will further intensify the already critical raw material situation.

Demand and Supply of Electrolytic Copper: The decrease in consumption of electrolytic copper under the economic stabilization program was due primarily to (1) sluggishness in the electric wire industry caused by an extensive decline in government demand and by the rising copper price and (2) to the increasing preference of the copper rolling industry for copper scrap over comparatively expensive copper ingot. In the fiscal year 1949, when degeneration of the demand-supply situation reached its peak, domestic consumption amounted to only 39,500 tons, part of which was drawn from existing stocks in the market. As a result, out of the total refinery production of 73,900 tons for that period only 34,100 tons were used up for domestic consumption. Although, after resumption of exports, 30,200 tons were exported in the 1949 fiscal year, stocks at refineries were still large and in February 1950 the government declared copper metal available for free export. Many export contracts were thus made at the start of the 1950 fiscal year and a total of 34,000 tons was exported during this period.

Supply and Demand of Electrolytic Copper

(in tons)

Fiscal year	Production	Domestic consumption: Electric wire industry	Copper rolling industry	Total	Exports	Stocks at the end of year
1946	29,240	37,415	9,771	50,381	0	—
1947	40,845	43,968	10,610	60,406	0	—
1948	60,073	58,320	11,109	76,578	0	—
1949	73,923	33,098	4,599	39,492	30,232	25,896
1950	89,690	64,933	7,403	75,110	34,560	6,295

However, the decrease in domestic consumption was only a temporary development. From April of 1950, government demands began to increase with the coming of the new fiscal year and the electric wire industry and other consumers started to show signs of recovery under the influence of the brisk activity characterizing the Japanese industry since the beginning of the Korean war. It is noteworthy that market stocks of electrolytic copper and high-grade copper scrap which had brought about a standing oversupply since the end of the war had now hit bottom and that consumers' dependence on refinery copper had come to regain its normal character. Thus, the demand for refinery copper showed a sudden advance in the latter six-month period of 1950, completely changing the picture of the domestic demand-supply situation. To meet this growing demand, copper producers increased production and after the outbreak of the Korean war limited the acceptance of new export contracts, finally suspending them in their entirety in October. As, however, exports continued even after July in fulfilment of large contracts made before the Korean war, the demand-supply situation came to be extremely critical in the second six-month period of 1950.

With the coming of 1951, copper exports dropped almost to nothing and total production was diverted wholly into domestic channels. However, the demands of the electric wire industry and the copper rolling industry still continued to be large under the influence of aggressive power source development and a general industrial activity spearheaded by the machine industry. Production to date has continued therefore to lag behind demand and this in spite of the rise in prices.

Production, Shipments and Stocks of Electrolytic Copper of the Refineries

	Production	Domestic consumption	Shipments Exports	Total	Stocks at the end of period
Fiscal year					
1948	59,849	57,034	0	57,034	10,915
1949	73,907	34,068	31,765	65,833	18,989
1950	89,800	74,137	32,098	106,235	2,554
1949 Jan./Mar. ..	17,924	14,625	0	14,625	10,915
Apr./June .	18,306	7,667	3,000	10,667	18,554
July/Sept. .	19,539	11,440	9,698	21,138	16,955
Oct./Dec. ..	18,264	5,723	8,237	13,960	21,259
1950 Jan./Mar. ..	17,798	9,238	10,830	20,068	18,989
Apr./June .	21,088	13,028	17,696	30,724	9,353
July/Sept. .	21,907	17,850	8,465	26,315	4,945
Oct./Dec. ..	24,055	20,619	5,655	26,274	2,726
1951 Jan./Mar. ..	22,751	22,641	282	22,923	2,554
Apr./June .	21,519	22,102	0	22,102	1,971
July/Sept. .	22,986	23,251	0	23,251	1,705
Oct./Dec. ..	23,693	24,070	0	24,070	1,329

Progress of Mine Rehabilitation and Rationalization: Effort toward the rehabilitation and rationalization of mines after the war became increasingly active through government aid under the economic stabilization program. From the middle of 1950, copper companies entered on a period of abnormally favourable conditions, and this, together with the resulting surplus of funds, enabled a redoubling of those efforts.

(1) Rehabilitation of Mine Resources

In July of 1949, the government set up a council and encouraged the mineral survey and prospecting, spending for this purpose Y60 million in the 1949 fiscal year, Y120 million in the 1950 fiscal year and Y47 million in the 1951 fiscal year. Apart from such government aid, individual copper companies diverted a part of their high profits toward intensified efforts for mineral survey and prospecting. As can be seen from the following table, the amount of newly discovered ore reserves is slowly growing in proportion to the amount of crude ore output, and recovery of ore resources thus shows steady progress.

Results of Mineral Survey and Prospecting in the Fiscal Year 1950

	Adit for prospecting (metres)	Boring (metres)	Ore reserves newly obtained (tons)	Output of crude ore (tons)
	122,948	32,848	3,870,000	3,110,000
(Under prospecting subsidies)	(35,278)	(18,600)	(1,800,000)	

(2) Rationalization

Hand in hand with the renovation of damaged and antiquated equipment caused by overworking during the war years, a program has been carried out under the guidance, promotion and financial aid of the government for the adoption of new techniques and the necessary establishment and adaptation of facilities to put them into effect. Notable among the developments under this program are the newly established facilities at Hitachi and Saganoseki for the manufacture of sulphuric acid from waste gas. This project was undertaken as a countermeasure for the difficulties caused by the abolition of the subsidy plan, and was developed at the two refineries named above with loans obtained from the U.S. Aid Counterpart Fund and private banks. It is anticipated that this equipment will cut down smelting expenses by 30 to 40%.

III. Future of the Demand-Supply Situation and Export Capacity

From prewar years, Japan has been one of the main producers of electrolytic copper, but with the exception of the 1930-32 depression period, Japan was always an importing country. For example, in 1940, the huge total of 142,000 tons was imported. With the extinction of military demands and the loss of Chinese markets, postwar consumption of electrolytic copper dropped to a level far below that of prewar years when semi-wartime conditions prevailed. Yet it is worthy of note that with an active general demand for reconstruction materials there has developed a great increase in the domestic demand for electrolytic copper and that with the exception of the stabilization program period it has continually outstripped production. The export of 64,800 tons between 1949 and 1950 was due to exceptional circumstances. The present excess of the domestic demand over production and the critical demand-supply situation mentioned above are but natural outcomes when we consider Japan's industrial structure and the size of the demand for reconstruction materials. It is anticipated that government action will be taken to restrict consumption in the interests of alleviating the serious demand-supply situation.

Notwithstanding these circumstances, the I.M.C. has given official recognition of Japan's export capacity by allocating 8,100 tons for October-December 1951 and 4,000 tons for January-March 1952 as her export quota. The government complied by agreeing to export 1,000 tons for January-March 1952 but it cannot be denied that this will be made possible only at a great sacrifice.

With the growing recognition of the urgency of power resources exploitation and the reconstruction and rationalization of domestic industry, and with the strong demand for

Estimated Supply and Demand of Electrolytic Copper during the Fiscal Year 1951 and 1952

(in tons)

		1951	1952
Production			
From ore	Domestic ore	45,000	47,000
	Imported ore	0	4,000
From scrap		45,500	40,000
Total		90,500	91,000
Demand			
Domestic consumption		91,900	94,000
Exports		1,000	0
Total		92,900	94,000
Deficit		(—) 2,400	(—) 3,000
Stocks at the end of previous year		3,000	600
Stocks at the end of year		600	(—) 2,400

Note: Deficit will be covered by consumers' stocks and scrap.

the development of U.S.-Japan economic cooperation, the position of the electric wire industry and the copper rolling industry has become increasingly important. It is unthinkable, in view of such developments, that any reduction could be effected in the demands of these industries for copper metal. Following table represents the estimated needs of domestic consumers for the 1952 fiscal year as based on a government perspective of future demand and supply. Demand has been

Estimated Demand for Electric Wire and Copper Rolling Products during the Fiscal Year 1952

(in tons)

	Electric wire	Copper rolling products
Electric power	18,000	3,200
Communications	8,000	4,500
Railway	5,200	2,800
Machinery	16,000	26,000
Iron, steel and metals	2,000	18,000
Miscellaneous	20,500	28,000
Total	69,700	82,500
Exports	1,800	1,000
Special procurements	2,500	4,500
Grand total	74,000	88,000

Estimated Consumption of Electrolytic Copper during the Fiscal Year 1952

(in tons)

	Production program	Required consumption of electrolytic copper
Electric wire industry	74,000	66,000
Copper rolling industry	88,000	24,000
Copper casting industry	—	4,000
Total	—	94,000

estimated to total at least 94,000 tons. As the production target has been set at 91,000 tons this would mean that, at present expectations, 3,000 tons will be drawn from refinery stocks to make up the deficit. Furthermore, this production figure is based on the supposition that imports of copper ore to the amount of 4,000 tons (copper equivalent) will be made during this period. In the event the imports fail to come in, it is feared that this and the further circumstance of insufficient scrap sources will lead to a most serious situation. Under these conditions, the export of copper metal is for the time being practically out of the question. If the export of copper metal is to be promoted, it must be done at the expense of finished products. This step, however, would not only adversely affect the procurement of foreign currency but would also prove prejudicial to the interest of the free world. The most urgent problem for Japan at the present moment is to ensure attainment of the production goal by seeing to it that the ore imports are made available and also to take an active part in international cooperation through increased exports of finished products. The problem of ore imports, however, has run into serious complications centering on the price issue.

Japan Trade Guide

The Japan Trade Guide for 1952 has just been completed and will soon be for sale in Hongkong. The Far Eastern Economic Review Ltd. have been appointed agent for the distribution of the Japan Trade Guide. Copies will be delivered in Hongkong and mailed abroad. Price per book: HK$ 87.

Articles dealing with Japan's foreign trade, financial conditions, banking, communications, industries of all description, agriculture, fisheries, tourism etc. will give readers a complete picture of economic conditions in Japan today. The articles describing the commodities in which Japanese manufacturers and exporters deal are of great value to merchants everywhere.

Research institutes, libraries, universities, trade promotion authorities, newspapers, chambers of commerce, industrial organisations etc. are advised to order a copy from the Manager, Far Eastern Economic Review, 322 Queen's Building, Hongkong (Tel. 32429, cables FICOM). Ordinary mail is included in the price; airmail will be charged separately.

Hongkong Commodity Markets

During the first part of the three weeks under review (May 5 to 24) very little of interest occurred. It was, however, noticeable that the commodity markets were beginning to lift themselves out of their state of depression, signs of greater activity being manifest.

In the course of the second week, interest was aroused by the visit to the Colony of Mr. Taketora Ogata, personal representative of the Japanese Premier. It was hoped that as a result some modification might take place in the control measures in force upon and restricting trade between HK and Japan.

By the third week, events were overshadowed by the delivery of a note by the British Government to the Chinese People's Government stating that British merchant firms in China intended to withdraw from the country and proposing that a definite trading link should be maintained after they had gone. Hongkong, as a trading link with China, will as in the past continue to offer its unrivalled facilities to the Chinese state or other organisations desiring to trade with any parts of the world. So far as the Colony is concerned, little difference should be noticeable, whether British interests are represented in Shanghai and other parts of China or not.

A review of the individual markets shows that locally-made cotton yarn was particularly brisk, the main handicap to even heavier transactions being low stocks and the reluctance of stockholders to sell in anticipation of better prices. Tenders invited by Taiwan for the supply of HK yarn were a contributing factor to the rise in prices. Active trading took place in cotton piecegoods during the week ending May 12 with dealers in the market from Taiwan, India, the Philippines and Thailand, HK manufactures being especially in demand. In addition to inviting tenders for 20,000 pieces of grey sheeting (60 x 60), the Central Trust of China in Taiwan is also asking for tenders from HK for 103,000 pieces of grey sheeting of the same specification and also for 2500/3000 bales of cotton yarn 20's, delivery dates being in June/July.

With reference to the other markets, towards the close of the second week buyers from North China and Shanghai as well as from South China showed an interest in metals, arousing hopes of continued purchasing. Heavy transactions by exporters to South Korea, Taiwan and South China caused activity in industrial chemicals; certain items however such as amber petrolatum, were hard to supply in any quantity, stocks having been greatly reduced as a result of the recent fire in a local godown. The low prices of paper attracted buyers from Indonesia in particular, Taiwan, South Korea and Thailand. China produce showed slight increases in deliveries from the mainland as well as in transhipments abroad; woodoil although still falling in price showed a slight revival in demand.

HK. Commodity Prices May 5 to 24, 1952:

(Spot sales unless otherwise stated)

(1 picul equals 133.3 lbs.)

Cotton Yarn—May 5-10: H.K. 10's $1250 per bale; 20's $1420/1470; Egyptian 20's $1390; Italian 20's $1330, 32's $1675 per bale.

May 12-17: H.K. 10's $1230, 20's $1530/1570; Egyptian 20's $1470; Italian 20's $1430, 32's $1760.

May 19-24: HK. 10's $1240 per bale 20's $1560; Italian 20's $1410, 32's $1760 per bale.

Cotton Piecegoods—May 5-19: HK.-made Grey Sheeting 60x60 $50 per bolt; Japanese Grey Sheeting 2023 $40 per bolt. White Sheeting, Japanese $54 per bolt. HK. Drill 84x48 $44 per bolt.

May 12-17: Grey Sheeting H'K. 60x60 $48 per bolt, Japanese 2023 $48.50. Drill, HK. 84x48 $43 per bolt.

May 19-24: Grey Sheeting, HK. 60x60 $48.50 per bolt (nom.); Japanese Grey Sheeting 2023 $45 per bolt.

Metals—May 5-10: Mild Steel Round Bars European 40' ⅝"-1" $47 per picul, ½" $60; HK. 20'-40' ¼"-1" $48 per picul. Mild Steel Plates 4x8ft. ⅛"-¼" $75 per picul. Galvd. Iron Sheets G28 75 cents per lb. Tinplate British 202x28" 200 lb. packing $290/$292 per case. Electrolytic Tinplate Waste Waste, USA 18x24" $225 per 200 lbs.

May 12-17: Mild Steel Round Bars, European 40' ⅝" $62 per picul, ⅝"-1" $46; Japanese 20' ⅝"-1" $38; HK. 20'-40' ¼"-1" $48 per picul. Mild Steel Plates 4x8' 3/32" $93 per picul (sellers). Galvd. Iron Sheets G24 67 cents per lb. Blackplate waste waste USA G29-33 18"x24" $70 per picul.

May 19-24: Mild Steel Round Bars, European 40' ¼" $65 per picul, 5/16" $64, ⅝"-1" $47 per picul. Mild Steel Plates 4x8' 3/32" $90 per picul, ⅛" $82. Wire Nails in keg G14 1¼" $55 per picul, G13 1½" and G12 1¾" $54, G7 4" $54 per picul. Tinplate, British 20"x24" $290/$292 per 200 lb. case. Copper Wire G8-G12 $500/$510 per picul. Copper Sheet 4'x4' 1/32" to ¼" $4.80 per lb.

Industrial Chemicals—May 5-10: Acetic Acid, Glacial, Italian 25 kg. carboy 75 cents per lb. Bicarbonate of Soda, refined, British 100 kg. bag $39.50. Borax Crystals, British $43 per 1 cwt. bag. Carbon Black, German NI $220/245 per 145½ lb. case. Caustic Soda, USA $243 per 700 lbs. drum. Glycerine 1,260 s.g. Dutch 250 kg. drum $2.25 per lb. Lithopone 30% German 56 lb. paper bag 49 cents per lb. Petrolatum Amber, German 180 kg. drum 46 cents per lb. Soda Ash, South African $31.50 per 90 kg. bag. Quebracho Extract 1 cwt. bag 70 cents per lb. Zinc Oxide 99%, Indian 85/89 cents per lb.

May 12-17: Borax Crystals, British $41.50 per 1 cwt. bag. Caustic Soda, Canadian $245 per 700 lb. drum. Bicarb. of Soda, French $35 per 100 kg. bag; British $43 per 100 kg. bag. Glycerine, Dutch $2.28 per lb. Petrolatum Amber, German 180 kg. packing 50 cents per lb. Sodium Hydrosulphite, Dutch 250 lbs. drum $160 per picul.

May 19-24: Acetic Acid, Glacial, Italian 50 kg. carboy 93 cents per lb. Acid, Carbolic (Phenol) Australian 448 lbs. $3.30 per lb. Glycerine, Dutch 250 kg. drum $2.30 per lb. Paraffin Wax 165° amp. USA 90-94 lbs. paper carton $95 per picul, 143°-150° amp. $87 per picul. Petrolatum Amber USA 377 lbs. drum 67 cents per lb.; German 180 kg. drum 49 cents per lb. Soda Ash, heavy, British $42 per 90 kg. bag; South African $31/$32 per 90 kg. bag. Sodium Bichromate, Australian 560 lbs. drum 69 cents per lb. Bicarbonate of Soda, British $41.50 per 100 kg. bag. Sodium Hydrosulphite $155 per picul. Zinc Oxide 99%, Belgian 88 cents per lb.

Paper—May 5-10: Bond Paper, unwatermarked 22"x34" 32 lbs. $30.50 per ream. Foolscap 48-60 lbs. 26½"x33" $1.52 per lb. Manifold Paper, German 16 lbs. 22"x34" $17; Norwegian coloured 16 lbs. $23.50 per ream. MG Cap 17½ lbs. white $13.60 per ream, coloured $16.50. MG Pure Sulphite 30"x40" $20 per ream. MG Sulphite Paper, 40 lbs. white 35x47" $37 per ream, 47 lbs. white $41, 40 lbs. red $47 per ream; 60-160 lbs. brown $1.15 per lb. Newsprint in roll 52 gr. 31" Japanese 50 cents per lb. (sellers); Norwegian, Swedish & Austrian 57 cents per lb. (nominal). Newsprint in ream 48 lbs. 31"x43" $27.20 per ream. Duplex Board, Finnish & German 240 lbs. $155 per ream; Norwegian $160. Strawboard, Yellow 8 oz. 26x31 Dutch $620 per ton. Cellophane Paper 36x39", Belgian $71 per ream; Japanese $66.50 per ream.

May 12-17: Bond Paper, watermarked 32 lbs. white $33.50 per ream; unwatermarked

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$30 per ream. Foolscap $1.55 per lb. Manifold Paper Norwegian $17.50 per ream, German $16.50. Flint Paper 20"x30" coloured $35 per ream. Greaseproof Paper 30"x40" 34 lbs. $27 per ream. MG Cap 17½ lbs. white $13.20 per ream. MG Pure Sulphite 30"x40" $19 per ream. MG Sulphite Paper, European 47 lbs. brown $44 per ream, white $41, red $46. Waterproof Kraft 35"x47" 120 lbs. $148 per ream. Newsprint in ream 48 lbs. $26.30 per ream. Newsprint, thin, in ream 25 lbs. 22½"x51" $19 per ream. Duplex Board 240 lbs. German & Finnish $155 per ream; Norwegian $160; Japanese 220 lbs. 50 cents per lb. Cellophane Paper 36"x39", Belgian $70 per ream; Japanese $67/$70 per ream.

May 19-24: Art Printing Paper, Belgian 85 lbs. $94 per ream. Bond Paper, watermarked 22"x34" 32 lbs. $29 per ream; unwatermarked $27 per ream. Woodfree Printing, Norwegian 80 lbs. 31"x43" $1.15 per lb. (nom.); Swedish 57-60 lbs. 90 cents per lb. Flint Paper, coloured 20"x30" $36 per ream. MG Pure Sulphite 30"x40" $19 per ream. MG Cap 17½ lbs. white $13 per ream, coloured $16.40. MG Sulphite Paper, European 47 lbs. brown $43 per ream, white $40. Newsprint in roll 52 gr. 31" Swedish, Austrian & Finnish 53 cents per lb. (nom.), Japanese 49 cents (sellers). Newsprint in ream 50 lbs. 31"x43" $22.50 per ream, Japanese $23 per ream. Duplex Board, Swedish 240 lbs. $165 per ream, Norwegian $155, German $145.

China Produce—May 5-10: Woodoil (Tung Oil) unprocessed in bulk $238 per picul (nom.). Cassia Oil $1900 per picul (sellers), export qual. $2000 per picul fob. Aniseed Oil unprocessed $910 per picul (sellers), export qual. $930 (sellers). Teaseed Oil $160 per picul (nom.). Soyabean Oil $135 per picul (nom.). Rapeseed Oil $150 per picul (nom.). Aniseed Star, Honan $248 per picul. Cassia Lignea West River 1st qual. 1 cwt. bale fob. $80 per picul (nom.). Rice Bran, $21.20 per picul; Wheat Bran, Tsingtao in straw bags $20 per picul. Hops 1st qual. $78 per picul, medium qual. $75. Gallnuts, Korean $70 per picul. Gypsum $17 per picul. Castor Seed, Tientsin $82 per picul (nom.). Cottonseed Cake, Hankow $30 per picul (nom.). Menthol Crystals $42.50 per lb. Egg Yolk, Dried $3.60 per lb. (nom.); albumen, dried $4.90 per lb. (nom.). Citronella Oil $3.20 per lb. (nom.). Potato Chips, dried, Szechuan $217 per picul. Sesamum, unhulled, white $76.50 per picul. Tea BOP $280 per picul (nom); OP (new) $300 (sellers), 2 qual. $250 (nom.); Green $300 (nom.); Pao Chung 2nd qual. $240 per picul. Feathers, Duck 85% $950 per picul (sellers). Lacquer Crude, Szechuan (new) $660 per picul (nom.), (old) $583 per picul (sellers). Garlic, 1st qual. $88 per picul. Bamboo Sheets $53 per picul.

May 12-17: Woodoil (Tung Oil) unprocessed in bulk $230.50 per picul; European buying offer £255 c. & f. Aniseed Oil 15 deg. $870 per picul (nom.), export qual. $895 per picul fob. Cassia Oil $1850 (sellers); export qual. $1950 (nom.) fob. Teaseed Oil 2% ffa. $163 per picul (nom.), 3% ffa. $160 (nom.). Soyabean Oil $130 (nom.). Rapeseed Oil $140 (nom.). Aniseed Star, Honan 1st qual. $248 per picul, Japan $120 per picul (nom.). Cassia Scraped, Honan $95 per picul (nom.). Cassia Unscraped, Honan $90 (nom.). Gallnuts, Korea $70 per picul. Gypsum $17 per picul. Ramie Fibre, Hunan 1st qual. $320 per picul. Castor Seed, Tientsin $82 per picul (nom.). Cottonseed Cake, Hankow $30 per picul (nom.). Rice Bran, Hankow $22.50 per picul. Wheat Bran, Hankow $20.50 per picul. Rosin, East River M-grade $66.50 per picul. Peppermint Oil $27 per picul (nom.). Menthol Crystals $41 per lb. Raw Silk, Coarse, Kwangtung high-grade $2540 per picul. Tea, OP $240 per picul; Green (new) 1st grade $292; Paochung medium qual. $240 per picul, 3rd qual. $225.

May 19-24: Woodoil unprocessed in bulk $233 per picul; European buying offer £255 per ton c. & f. Aniseed Oil $875 per picul; export qual. $900 per picul fob. Cassia Lignea West River 80 lb. bale fob. $77 per picul. Gallnuts, Hankow 2nd qual. $77 per picul. Gypsum, Hankow white $20 per picul. Rice Bran, Hankow $23.40 per picul. Wheat Bran, Hankow $20.50. Egg Yolk, dried $3.70 per lb. Egg Albumen, dried $4.50 per lb. Sesamum, unhulled Hankow $72 per picul. Teaseed Cake, West River $15.30/15.50 per picul. Silk Waste, Korean No. 1 $600 per picul. Tea, Green $277 per picul; Paochung 2nd qual. $230 per picul. Feathers, Duck 85% $900 per picul (sellers). Groundnut, unshelled $102 per picul. Garlic $86.50 per picul.

THE HONG KONG JOCKEY CLUB

WHITSUN RACE MEETING

Saturday 31st May and Monday 2nd June, 1952

(Held under the Rules of The Hong Kong Jockey Club)

The First Bell will be rung at 1.30 p.m. and the First Race will be run at 2.00 p.m. on the 1st Day.

On the 2nd Day the First Bell will be rung at 11.30 a.m. and the First Race will be run at 12.00 Noon. The tiffin interval is after the Fourth Race (1.30 p.m.) on the 2nd Day.

There are 10 races on the 1st Day and 12 races on the 2nd Day (22 in all).

Through Tickets (22 Races—$44.00) may be obtained at the Compradore Office of the Treasurers, 1st floor, Telephone House, also tickets for the Special Cash Sweep on the "Hong Kong Derby" scheduled to be run on 31st May, 1952.

Through Tickets reserved for the meeting but not paid for by 10.00 a.m. on Friday, 30th May, will be sold and the reservation cancelled for future meetings.

THERE WILL BE NO SPECIAL CASH SWEEP ON THE LAST RACE

To avoid congestion at the Club's Offices at Telephone House, non-members are requested to purchase their sweep tickets at the Club's Branch Offices at:—

5, D'Aguilar Street, Hong Kong or 382, Nathan Road, Kowloon

TOTALISATOR

The attention of Totalisator Investors is drawn to the following rules:—

Dividends will be paid on the winning and placed ponies so declared by the Stewards when the "All Clear" is given. The "All Clear" signal will be indicated by a white light at the Totalisator Tower. BACKERS ARE ADVISED NOT TO DESTROY OR THROW AWAY THEIR TICKETS UNTIL AFTER THE "ALL CLEAR" SIGNAL HAS BEEN EXHIBITED.

Totalisator Tickets should be examined and checked before leaving the Selling Counters as mistakes of any description cannot be rectified later.

Cash received in respect of Dividends should be checked before leaving the Pay-Out Counters as no claim for short payment of the value of tickets presented can be entertained once Investors have left the Counters.

All winning tickets and tickets for refunds must be presented for payment at the Race Course on the day to which they refer, but none will be paid later than one hour after the time for which the last race of the day has been scheduled to be run.

In no circumstances will any Dividends be paid or refunds made unless a ticket is produced. Payment WILL NOT be made on torn or disfigured tickets.

MEMBERS' BADGES AND ENCLOSURE

Members and guests are reminded that they and their ladies MUST wear their badges prominently displayed throughout the Meeting.

NO ONE WITHOUT A BADGE WILL BE ADMITTED TO THE MEMBERS' ENCLOSURE.

Badges admitting ladies not in possession of Brooches or Season tickets and gentlemen, non-members of the Club, to the Members' Enclosure and Club Rooms at $10.00 per day including tax, for ladies or gentlemen are obtainable through the Secretary at Telephone House, on the written or personal introduction of a Member, such member to be responsible for all visitors introduced by him, and for payment of all chits, etc.

Only a limited number of badges admitting to Members' Enclosure will be on sale at the Race Course.

The Branch Offices and the Treasurers' Compradore Office will close at 10.00 a.m. on both days. The Secretary's Office will close at 11.45 a.m. the 1st Day and at 10.00 a.m. the 2nd Day. The Treasurers' Compradore Office and the Secretary's Office re situated at 1st Floor, Telephone House.

A limited number of tiffins will be obtainable at the Club House provided they are ordered in advance from the No. 1 Boy (Tel. 27818).

NO CHILDREN WILL BE ADMITTED TO THE CLUB'S PREMISES DURING THE MEETING.

PUBLIC ENCLOSURE

The price of admission to the Public Enclosure will be $3.00 per day including tax for all persons including Ladies, and will be payable at the Gate.

Any person leaving the Public Enclosure during a Meeting will forfeit his or her right of admission to the Enclosure and will be required to pay the requisite fee of $3.00 in order to gain re-admission.

No re-admission tickets will be issued

BOOKMAKERS, TIC TAC MEN, ETC., WILL NOT BE PERMITTED TO OPERATE WITHIN THE PRECINCTS OF THE HONG KONG JOCKEY CLUB.

MEALS AND REFRESHMENTS WILL BE OBTAINABLE IN THE RESTAURANT IN THE PUBLIC ENCLOSURE.

SERVANTS' PASSES

Servants' passes will be issued to private box holders only, who are requested to distribute them with discrimination and to endorse their names on the passes. Holders of such passes are not permitted in the Members' Enclosure except for passing through on their duties and must remain in their employers' stands.

Owing to the congestion in the Members' Betting Hall and at Booths adjacent to Boxes in the Coffee Room, Box-holders and Members are requested to ensure that their servants make use **only of the Public Betting Hall.** Military Police will be posted at various points in the enclosure to ensure that this regulation is adhered to.

By Order,
H. MISA, Secretary.

FINANCIAL REPORTS

HONGKONG EXCHANGE & GOLD MARKETS

Report for the week May 19—24:—

Some uneasiness was felt when the reports from London were studied here stating that leading British firms in China had come to the conclusion that no useful purpose was being served by continuing with their businesses in the erstwhile treaty ports and that winding up was the only course open under present conditions in communist China. Hongkong is not affected; it may even benefit from the withdrawal of British firms from China as more enterprise will be concentrated here.

Another irritation arose from the fact that the Peking govt had again protested officially about Hongkong charging the local authorities with quite incredible misdeeds. The state-owned and communist party directed press as well as the so-called democratic bedfellows of the communists poured out fantastic anti-Hongkong propaganda; the use of vile words, as usual with the communists, was considered here as a sign of the further deterioration in relationships between the communists and the free world.

Business men are showing some restlessness but sound reasoning and the influence of the more sober members of the community counteracts the spread of pessimism. What is most disappointing is the continued low level of trade with China and the consequent decline in earnings here. Trade with China is, as far as done in Hongkong, much smaller than the trade figures suggest as large amounts of cargo only pass through the Colony, from the railway station to lighters in the harbor, without any bank, trading firm and godown company having had anything to do with the business. The all-important question remains however the security of Hongkong—and about that, notwithstanding the noises coming out of China, nobody has any serious doubt.

GOLD: High & low for .945 fine tael $305½—300, for .99 fine tael in Macao 315¾—311½. The Canton market was so deep underground that no rates were available. Day-to-day high and low: 302½—300⅜; 304⅝—302⅜; 305½—302¾; 303½—302½; 303¼—300¾; 301¾—300. Week's opening 300⅜, closing 301¼. Crossrates US$ 40.40—40.16. Cif Macao contracts for 4800 ozs fine US$ 39.87.

Trend was uncertain. Bulls found some stimulation in reports from Korea and Taiwan indicating future 'hotting up' of the cold war. Bears interpreted the trend as pointing downward seeing that world prices ruled weak, sterling was firm, while local stocks rose and exports declined. A stable market with narrow fluctuations is to be expected.

Interest for change over of 10 taels in favor of sellers was $1.76. Tradings: 179,400 taels or daily average 29,900. Positions: 95,600. Cash sales: 31,280 of which 11,780 officially listed. Imports from Macao 24,000 taels. Arrivals in Macao 40,000 ozs fine. Exports: 13,500 taels of which 6500 to Singapore, 7000 to Bangkok.

SILVER: Prices per tael $6.67—6.66, dollar and small coins resp. 4.30 and 3.30. Sales: 2500 taels, 4000 dollar and 2000 small coins. Quiet market. Overseas declines (73½d. London, 84c. New York) did not affect local market.

US$: High & low for US notes $656½—650¾, DD 656½—651, TT 659½—655½. Daily high & low of TT: 656¼—655½; 659½—657; 659½—658; 658½—657½; 657½—655½; 655—653½. Notes: 653¼—651; 656¾—653¼; 656½—654¾; 655½—654⅜; 654½—652½; 652¾—650⅜. Sales: TT US$ 1,680,000, DD 360,000, Notes spot 493,000, futures 8¾ million.

Easy market due to firm sterling abroad. In TT sector buyers were agents of Peking govt, gold importers; sellers were Bangkok and some scattered locals. In notes sector hedgers bought, shipping notes to US; speculators sold. Interest totaled 30c. per unit in favor of buyers. Positions average 2¼ million. DD increased as larger arrivals due to Dragon Boat Festival.

BANKNOTES & DD: DD Singapore $1.88—1.87½, Manila 2.33—2.32, Bangkok .303—.302, Tokyo in US$ HK$6.57—6.55. Sales: Mal.$1¼ million, 250,000 pesos, 2 million baht, US$220,000.

Banknote rates per one unit: London 15.90—15.80, Australia 12.70—12.44, New Zealand 14.15—14, Egypt 13.30—13.30, S. Africa 15.82—15.80, India 1.215—1.205, Pakistan 1.255—1.24, Ceylon 1.06, Malaya 1.848—1.839, Canada 6.57—6.53, Manila 2.395—2.39, Macao 1.045, Tokyo per 100 $1.6175—1.595, Indochina .1225—.12, Bangkok .325—.323, Indonesia .31—.308.

CHINESE EXCHANGES: Taiwan yuan per 100 quoted $27.10—26 for notes, 29—28 DD Taipei. Gold and US$ exchange with Taiwan quoted resp. 105 and 103. Sales in TY 350,000 notes, 2½ million DD. Taiwan yuan strong. Significant is the high gold and US$ rate, continuing in favor of Taiwan.

People's Bank of China yuan quoted per one million $200—199, DD Canton 231—229, Amoy 196—195. Gold and US$ transfer with Shanghai quoted resp. 88 and 84. Sales of PB yuan in notes totaled 25 million DD Canton and Amoy 50 m. and 40 m. resp. Market very quiet.

The five anti campaign has ended with great profits for the Peking regime. The terror has succeeded to make the wealthy disgorge. Hoarded currency notes, gold bullion, retained remittances from overseas Chinese—that all went to reinforce the exchange holding of the People's Bank. At the same time formerly well-todo people have been compelled, by sheer force of circumstance, to sell their belongings to more fortunate members of the proletariat. Gold has only found one buyer: the People's Bank. From present and previous purchases and confiscations of exchange and gold and silver the People's Bank is in a position to finance considerable trade deficits which have arisen in the recent past with the fraternal states in eastern Europe and with the 'elder brother'—the USSR.

Trade Recession or Slump in Hongkong?

Hongkong's total trade for Jan./April this year amounted to $2149 million while the average for four months of 1951 was $3100. The decline in trade in the first quarter 1952 against the average of last year amounted to 31%. The percentage declines for imports and exports this year amount resp. to 21 and 41½. (Imports in first quarter 1952 valued $1285 m., exports $854 m. while four months' averages in 1951 amounted to $1623 m. for imports, $1477 m. exports.) Volume has shrunk more than HK$ figures suggest.

The drop of 31% in overall trade indicates to what extent local business has suffered compared with 1951. If China was to resume buying and selling here one could speak of a recession but as it seems likely that future commercial relations between Hongkong and China will undergo more fundamental changes, in line with the planned economy system of all communist states, the merchants of Hongkong will have to adjust themselves to these new conditions. Many have done so in the past by either concentrating on other than China imports and exports or by emphasising new enterprises such as manufacturing and real estate transactions etc. Others have left Hongkong to find a new living abroad or are contemplating to leave.

China will however remain, for some time to come, a not inconsiderable trading partner of Hongkong. The change in the system of foreign trade which is bound to come in China as it had been the case in the USSR will be gradual thus softening the blow for private traders. This year, Jan./April, China (excluding Taiwan) has figured still prominently in Hongkong's trade. Of our imports this year China (excl. Taiwan) and Macao (which mainly is a transhipment port for Kwangtung) accounted for 21%, of our exports 14%. In 1951 (average for a period of four months) China and Macao accounted for 20% of our imports and 41% of our exports. (This year, Jan./April Hongkong imported from China and Macao goods valued at $268 m., and exported to China and Macao $123 m. worth of merchandise. Last year, average for 4 months, we imported from China excl. Taiwan and from Macao goods valued at $322 m. and exported $610 m. worth of merchandise).

Trade will always remain Hongkong's raison d'etre. Without China's trade local business will be poor but it will

just as well continue. Our entrepot facilities are known the world over. It would be unrealistic to anticipate a complete end of Hongkong-China trade; under different conditions China's imports will find a ready market here and certain non-strategic goods will be shipped to China. The majority of small traders will, as indeed they have been doing for some time, feel the pinch and many will have to wind up. Unemployment in Hongkong, on account of heavy immigration in the recent past and continuing illicit immigration, is heavy and is bound to increase unless the unemployed and the very many 'marginal' entrepreneurs can be repatriated. The communist authorities are however uncooperative and refuse to allow Chinese to reenter their own native places; many unfortunate Chinese, anxious to return to the villages on account of the unemployment situation here, cannot obtain entry permits from the communist authorities and so are condemned to misery in this Colony.

British Trade and Hongkong

The official note from London (delivered on May 19) stating that Peking has been advised that many British firms in China were ready to withdraw from that country has only underscored what everybody in Shanghai, Tientsin and elsewhere in the ex-Treaty ports of China felt. With the communist takeover in the autumn of 1949 traditional trade with China had entered its final stage. The liquidation has started some time ago but it is a difficult job. The assets of British firms are estimated at around £250 million. What can be rescued will be very little. Now the task is to rescue the British personnel who have been held virtual hostages in China; these people may slowly regain their freedom, get exit permits and hand over assets, in whatever form existing in Shanghai and other ports, to the communist authorities. Recompensation or rather transfer abroad of some money to be paid by the new owners—if any will appear—will become a tricky issue.

The past is now being liquidated—rather late—and a future basis for Sino-British trade is being contemplated. Private traders in China have faced such difficulties that they came to the conclusion that to carry on was practically impossible. The Chinese must stay and eventually will have to go the way of the bourgeoisie in the Soviet Union; that is communist party foreordained. Foreign merchants can leave China provided that they have conformed to the many rules and regulations set up by the communist authorities. That is to say after having satisfied labor union demands, paid taxes and fines for pre-communist period transactions, virtually abandoned properties and fixed assets. A future is to be built up on a past full of resentment and inequities. The good effort is made entirely by London. Peking has so far not given any proof of its intention to exchange commodities with Britain—except for the negotiations at the Moscow International Trade Conference. The public has gained the impression that it is in Britain's interest to do business with China while Peking has not shown any eagerness. One has suggested in London that a British Trade Representation be established in China, to be composed of private traders and presumably a few officials, which will act as a quasi-authority to exchange merchandise with China.

Hongkong's own interests are not affected by the withdrawal of private British firms in China and the probable establishment of a central British agency to conduct trade with China. One knows here that Peking would, if it could help it, refrain from doing any commercial business in Hongkong; the same applies to Macao. But China still derives considerable benefits from the existence of Hongkong and Macao. Communist agents have for a long time now been spreading stories about the intentions of the People's government of China with regard to the two foreign colonies on Chinese territory. Their stories were often discredited as amounting to nothing else but intimidation of the people living in these two colonies. Never has any violence been suggested—on the contrary the Red agents have emphasised the peaceful nature of the new regime in China; however, some new form of economic strangulation was strongly hinted and by such methods, it was indicated, the very existence of the two colonies will be compromised. Since the outbreak of the Korean war the relations between Hongkong and China have suffered and are currently more adversely affected. One hopes therefore that a truce in Korea will change the whole outlook. Then one can start a new chapter in the book of Hongkong's relations with China. Meanwhile Hongkong's merchants, and with them the majority of the population, keep going and afloat to be ready for the time when the tide in China will, as one hopes, change.

HONGKONG COMPANY INCORPORATIONS

The following new private companies were incorporated in Hongkong during the week ended May 17, 1952:—

Loong Wah Amusement & Investment Company, Limited, Business of theatres, cinemas, concert halls, etc.; Nominal Capital, $1,000,000; Registered Office, New Kowloon Inland Lots 3593 & 3608, Carpenter Road, Kowloon City, Kowloon, Hongkong; Subscribers—Lo Chung Wan, 1 Castle Road, 1st floor, Hongkong, Merchant; Fung Ching, 46 Pottinger Street, 2nd floor, Hongkong, Merchant.

Wyndson Company Limited, Business of hotel, restaurant, cafe, etc.; Nominal Capital, $500,000; Registered Office, Room No. 720, 7th floor, China Building, Queen's Road Central, Victoria, Hongkong; Subscribers—Robert Der, 117 Argyle Street, 1st floor, Kowloon, Merchant; Wong Hon Ching, 205 Shanghai Street, Kowloon, Merchant.

HONGKONG'S SQUATTER PROBLEM

The progress report of the Social Welfare Dept. for the first quarter of 1952 shows that a further 15,000 squatters were screened in areas shortly due for resettlement, mainly in Homuntin Valley and the huts on either side of Taipo Road. A survey of these areas reveals that the number of people in a hut is just under six and the average number in a household between three and four. A modification in the screening method should give more information about the way the squatters earn their livelihood, but figures so far available indicate that 4.6% of the adult males are unemployed and that about half of these are over 60 years of age.

Further measures were taken to assist the resettlement at Fuk Wa Village of some 600 of the poorest victims of last November's Tung Tau Village squatter fire. For the building of huts, each family received assistance to the value of about $440 from privately subscribed gifts augmented by public funds, and some 50 of the settlers were found regular employment with the Urban Council and the Malarial Bureau of the Medical Department. Those families in which no member was employed continued to receive free food from the Social Welfare Office throughout the quarter.

Early in the quarter, the Kowloon City Kaifong Welfare Association wound up its relief measures for the victims of the Tung Tau Village fire. Funds subscribed by the public had amounted to over $230,000 and almost the whole of this sum was distributed in cash to the victims, each of whom received $13.50. For the information of the public and subscribers, the Association published a very full account of its share in these emergency measures together with a detailed financial statement.

Apart from meals issued at Fuk Wa Village, an average of 1,167 other free meals were issued each day to genuine Hongkong residents in serious need at the six Social Welfare Office centres. Most of them were aged women and young children, but their numbers increased during the quarter. Some 2,500 bales of used clothing and bedding, averaging 80 lbs. a bale, were received from the United States for distribution to voluntary welfare agencies.

During the quarter, the number of inmates at North Point Camp increased slightly to 266; 66 persons left the Camp during this period. With the help of the Medical Department, substantial improvements were made in the medical arrangements and by the end of the quarter a medical officer was visiting the Camp twice a week. All Camp residents were X-rayed as part of the anti-tuberculosis campaign.

Some 219 inmates of Rennie's Mill Camp were repatriated to Formosa

HONGKONG MANUFACTURED GOODS

Exported under Certificate of Origin & Imperial Preference Certificate during April 1952

The number of Certificates of Origin and Imperial Preference Certificates issued by the HK. Dept. of Commerce & Industry during April totalled 2788 and 1178 (an increase and decrease of 25 and 224 respectively); the grand total of 3966 represented a slight decline of 199 on the previous month's figure, attributable to the Easter holidays. Fees collected totalled $13,242 as against $13,220 in March.

The total value of locally-manufactured goods covered by these certificates amounted to $17,176,562 as against $18,468,760 in March, (Review) No. 19 of May 8, 1952, Vol. XII, page 622). This drop of $1.2 million was caused mainly by the fall in exports of local goods to Great Britain, which declined from over $2 million in March to not more than $385,329 in April.

Exports to America (incl. USA) took first place in April being valued at $5,525,211 (March $5,612,041); South Korea was second with $2,893,799; Malaya was third with $1,671,048 and Burma fourth with $1,020,870.

H.K. MANUFACTURED GOODS EXPORTED UNDER IMPERIAL PREFERENCE CERTIFICATE AND CERTIFICATE OF ORIGIN IN APRIL, 1952.

	$
Europe	
United Kingdom	385,329
North Europe	322,323
Australasia:	
Australia	
New Zealand	282,783
America:	
America	5,525,211
British West Indies	818,670
Africa:	
Union of South Africa	809,340
British East Africa	998,499
British West Africa	561,552
Portuguese East Africa	98,445
Egypt	16,618
Asia:	
Malaya	1,671,048
North Borneo	94,805
India	22,386
Iraq	14,581
Ceylon	208,363
Syria	55,778
Burma	1,020,870
Thailand	430,380
Pakistan	164,266
British Commonwealth, Other	635,904
Philippines	38,909
Occupied Japan	8,953
China (Taiwan)	954
Korea	2,893,799
Okinawa	20,954
Indonesia	75,842
Total	17,176,562

during the quarter and the ration strength was further reduced by 892 as a result of additional checks and surveys.

FAR EASTERN ECONOMIC REPORTS

Indian Jute

Jute acreage and production increased nearly 30 per cent since 1947. The President of the Indian Central Jute Committee reports that jute acreage increased from 650,000 acres in 1947 to 1.45 million in 1950 and 1.95 million in 1951; and that production rose from 1.69 million bales in 1947 to 3.3 million bales in 1950 and 4.68 million bales in 1951. The Government's future policy will be to increase the yield per acre rather than to increase the acreage.

India's Cotton Imports

The decision of the Government of India to import 1.6 million bales of raw cotton means that the raw cotton requirements of the textile industry for 1951-52 are likely to be fully met; in addition to this imported cotton, 2.9 million bales from the Indian cotton crop of 3.3 million bales will also be available. Nearly 1.1 million bales of imported cotton will come from the United States; Egypt is expected to supply 200,000 bales and the Sudan 60,000 bales.

Agreement has been reached by the British Raw Cotton Commission, the Government of India, and the Lint Marketing Board of Uganda for the bulk purchase by the United Kingdom and India of 200,000 bales of Uganda cotton. India's share of this amount, as well as half of the total Uganda crop in excess of 300,000 bales which will also be made available, will be twice that of the United Kingdom. The price to be paid for the bulk purchase will be fixed in April 1952 on an agreed basis, with maximum and minimum limits.

India's Financing of U.S. Cotton Imports

The Indian Government has assured the commercial banks that American cotton pledged with them against loans granted to the textile mills will be bought by the Government at prices in rupees equivalent to American floor prices, if the banks should find it necessary to sell the cotton to realize the loans. This decision has been taken by the Government in view of the difficulties currently experienced by the industry in financing imports of American cotton. Of the programmed imports of 900,000 American bales, 500,000 bales have yet to arrive; the floor price for this quality is expected to amount to Rs 470 million.

Indian Cloth Exports

During 1951, India exported 736 million yards of cloth, valued at Rs 735 million and representing 18 per cent of total cloth production. In 1950, exports totaled 1,060 million yards, valued at Rs 954 million and comprising 28.9 per cent of total production. In the two years, cloth was shipped to 61 countries, including the United States, the United Kingdom, Canada, Australia, New Zealand, and Egypt.

Rice Trade of Thailand

After a seven-day rice export embargo ordered by the Government of Thailand at the end of February, the Council of Ministers decided that merchants will be permitted to export rice only under the allocation system and according to quotas already agreed upon by the Ministry of Commerce and the buying countries; other rice exports will be made solely by the Government. The embargo had been ordered shortly after the Government had agreed that private merchants could export up to 100,000 tons of rice if they would cooperate with the Government by supplying rice for export commitments entered into by the Government; the order was issued following the complaint of the British Commissioner General that Majaya, which formerly had obtained sufficient rice for the colony, was not receiving enough this year. Thai rice merchants, on the other hand, pointed out that premiums of US$8-16 per ton paid by some importing countries were not paid by the British.

From December 1951 to February 1952, 392,765 tons of rice were exported, of which 162,350 tons went through private channels.

Japanese Participation in Indonesian Mining Development

A new company, the Indonesian General Mining Corporation, has been formed to exploit the mineral resources of South Kalimantan (Borneo) and Halmahera in Indonesia. The Kobe Steel Works, a Japanese firm, will provide 20 per cent of the capital of this Corporation, and will have charge of all technical matters. Japan will supply the mining equipment and machinery, and will be given priority for the purchase of ore mined by the Corporation. Initially, it is intended to exploit only asbestos and manganese.

Japanese Investment in Malayan Iron Mine

The Kokan Kogyo Company, a Japanese mining firm, recently concluded a provisional contract with an American firm, the Metal Export Incorporated, for developing an iron mine, on which the American firm holds a concession, in Kelantan State, Malaya. The mine is reported to have deposits of 6 million tons of high quality ore (56 per cent in iron content plus 2 per cent manganese content); after further exploitation they may be increased to 20 million tons.

The development plan is the first of its kind to be undertaken in Malaya by a Japanese firm since the end of the war. According to the agreement, all the mining activities will be carried out by the Kokan Kogyo Company, which, in turn, will pay royalties, either in dollars or in sterling, of about 10 per cent of the cost of each ton of ore produced. The contract will be in effect for 21 years from the time of formal signing, which is expected to take place in Tokyo some time after the middle of next May.

With the three leading iron and steel manufacturers, Yawata Iron and Steel, Fuji Iron and Steel, and Japan Steel Pipe Companies, as guarantors, the mining firm expects to receive loans of Y800 million from the Japan Export Bank and Y200 million from commercial banks to finance the project. By the end of this year, the firm will ship to the mining area in Malaya all the necessary mining and transportation equipment.

If there are no hindrances, the company will be able to start shipping ore to Japan next January at the rate of 500,000 tons annually. Since Japanese vessels will be used for transporting the ore, the price is likely to be fixed at US$18-19, c.i.f., per ton.

Japan's Exchange Allocations

Japan's foreign currency allocations for the first half of the fiscal year beginning April 1952 provide for imports of $546 million from the dollar area and the equivalent of US$452.8 million from the sterling area and of US$211.8 million from the open account area. Part of these funds will be used to buy aircraft from the United Kingdom, the United States, and Sweden, and automobiles from the United States, the United Kingdom, France, and West Germany. The Finance Minister has stated that Japan's invisible earnings from trade and services are expected to total $900 million in the next twelve months.

U.S.-Indonesian Tin Agreement

The United States and Indonesia have announced an agreement under which Indonesia will supply the United States with 18,000-20,000 tons of tin in each of the next three years. The price will be $1.18 per pound for the first two years; for the third year it will be negotiated on the basis of conditions at that time.

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